

Affairs of China

By the Same Author

TRAVELS IN NORTH-WEST CHINA

TRAVELS IN EASTERN TIBET

JOURNEY TO TURKISTAN

Affairs of China

*A Survey of the Recent History
and Present Circumstances of
the Republic of China*

by

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*Of His Britannic Majesty's Consular
Service in China (retired)*

WITH THREE MAPS



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(Drawings by L. J. Newell)

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CHAPTER ONE

HISTORICAL PRELUDE

The war in the Far East has drawn attention to the affairs of China. The author, retired in England after a lifetime in the East, found himself frequently consulted by his friends about the meaning of Far Eastern news. So he sat down to write what purports to be a true and objective account of China's recent history and present circumstances, an outline drawn from his personal experiences during the past thirty years, in the hope of rendering the news from China more intelligible to the uninformed reader of the daily Press. The thread which binds the story is the record of the efforts of the leaders of the Chinese people to build up a new China out of the ruins of the old; of their fight to claim for China a place of equality amongst the nations of the world; and of the development of the tragic but inevitable conflict between resurgent China and the ambitions of Japan. Most of the book was written during the last months of 1937; and the picture is that of China's circumstances at the time of her invasion by Japan. Now, after years of bickering, bullying on the one side, and half-hearted resistance on the other, the issue is finally and squarely joined; and, whatever the immediate result may be, whether Japan succeeds in overcoming the resistance of Nationalist China, or whether the Chinese hold out long enough to break the determination of Japan, or whether the struggle ends in stalemate, compromise and disillusion for both sides, the fate of British, American and European interests in China will be profoundly altered and a new era in the Far East opens for the world. Some of the questions here reviewed assume new shapes and forms;

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others represent chapters definitely closed by the event of war; all, or nearly all, are affected to a greater or a less degree. But an examination and understanding of the past help us to estimate and meet the new problems which the future holds in store.

It is not possible to plunge into a review of the affairs of China without some preliminary reference to Chinese history. But of all histories early Chinese history is the dulllest and most uninteresting reading; due to the strange and unpronounceable names and the great gaps of language, time and space between the Chinese historian and the European reader. Assuming, therefore, some knowledge of the remoter background, this introductory chapter is devoted to a brief account of the genesis, growth and earlier misfortunes of the Republic of China, born on October 10, 1911, when the revolution against the Manchu Dynasty, which had been fermenting for years below ground, broke surface in the military rebellion at Wuchang, in the centre of the Yangtze Valley, politically and geographically the heart of China.

The decline of the Manchu Dynasty had begun a century before it disappeared in the revolution of 1911; and the weakening of the Imperial Government was hastened by the aggression of the western world. Since early in the nineteenth century Great Britain, France, Russia and the United States had been engaged in prising open to foreign residence and trade the closed doors of China and Japan. The Chinese, under their Manchu rulers, more conservative and less immediately adaptable to the impact of the West, resisted, and opposed the coming of the foreigner with guile and ill-directed force. From the wars, or punitive campaigns, of the 'forties and 'sixties of the nineteenth century there resulted the 'Unequal Treaties', of which the new China of to-day so bitterly complains. Britain and France, dictating terms of peace, compelled the Manchu Government of China to concede extraterritorial rights, foreign-controlled treaty ports, a fixed five per cent import tariff and other special rights and privileges for the foreign merchant and resident in China. The other

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leading Powers demanded and received the same. The Japanese, at first subjected to similar treatment, soon shook themselves free from the domination of the western world; while China, to her great misfortune, remained in this semi-colonial and subjected state.

China's defeat in the war with Japan in 1894 ushered in the period of the Battle of Concessions, the grimmest years of her chequered diplomatic history, culminating in the losses and humiliations of 1898. The European Powers had seemingly decided that the Chinese Empire was moribund and ready to disintegrate; and a ruthless scramble set in amongst them for 'coaling stations', leased territories, railways and spheres of influence. The story of these years of international aggression and intrigue in China, without parallel in modern history, is best told in Mr. Joseph's admirable compilation *Foreign Diplomacy in China* (Allen and Unwin, 1928). Russia appeared as the chief villain of the piece, seizing Port Arthur and eating into Manchuria and China from the north. France, her ally and accessory, schemed to penetrate the southern provinces. Germany, cynically taking as her opportunity the murder of a missionary, staked out with threats and menaces her claims in Shantung province. And Great Britain, after first fighting strenuously for the Open Door, joined in the scramble, seized Weihaiwei and claimed the Yangtze Valley as her sphere of influence.

The Emperor Kuang Hsü and the reformers of 1898 made their vain attempt to save the empire and the dynasty. The reform movement was crushed by the Dowager Empress and her reactionary advisers. And the century closed with the upheaval of the Boxers, the incoherent reaction of the people of North China against Manchu misrule and the aggression of the foreign Powers. The Dowager Empress and her mandarins successfully diverted the fury of the people against the foreigner and all his works. The chief victims were the foreign missionaries and their Chinese converts; because in the interior the missions were the chief point of contact between the foreigner and the Chinese people. The

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Boxer rising was stamped out in blood and fire by the allied troops of Europe, America and Japan.

After the riot, the bill; and the account presented to China after the Boxer outrages, embodied in a document known as the *Final Protocol of 1901*, was a formidable one; a large indemnity running for forty years; the Unequal Treaty system riveted more firmly on the Chinese people; a fortified and foreign-ruled Legation Quarter in the capital; and an international garrison of foreign troops for the occupation in perpetuity of Peking, Tientsin and the railway to the sea. Great Britain, Japan, America, France, Germany, Russia, Austria, Italy, Spain, Belgium and the Netherlands, eleven countries in all, signed with the Chinese Government the *Final Protocol of 1901*.

During the decade from 1901 to 1911 the policies and manœuvres of the foreign Powers in China continued in general on pre-Boxer lines, but on a lower and more cautious scale. It appeared to be tacitly recognized that the pace of the carving of the Chinese melon had been made too hot and that foreign diplomacy in China had been not without its share of blame for the tragedies of 1900. The old Chinese Empire had then seemed on the verge of dissolution. Yet the years that followed witnessed, not the final break-up, but China's gradual regeneration. International jealousies amongst the Western Powers and the moderating influences exercised by Britain and America played their part in preventing the dismemberment of China. Yet in the last analysis the credit for this unexpected turn lay with the Chinese people, who, having rid themselves of Manchu rule, slowly and painfully restored the Chinese State.

The Manchu Dynasty, discredited by the events of 1900, found itself exposed to increasing pressure from a new generation of reformers. The revolutionary movement, led by Sun Yat-sen, gathered momentum. In 1908 the deaths of the Dowager Empress and the Emperor Kuang Hsü sounded the approaching end of the Manchu Dynasty. The government passed into the hands of a Regent in the minority of the

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new Emperor, a child of two (destined to become twenty-five years later the ruler of Japanese-protected Manchukuo). The rising storm of revolution burst in the autumn of 1911 and within a few months the dynasty had passed into oblivion.

The curtain rose on the Republic of China, introducing Sun Yat-sen.

Sun Yat-sen (known to the Chinese as Sun Wen or Sun Chung-shan) was born near Canton in 1866. As a young man he studied medicine in Hongkong, but soon turned to his life's work, the promotion of revolution in China. By the 'nineties he was well known as a leader of the Young China revolutionaries. He visited America and England, where in 1896 he was kidnapped by the Chinese Legation in London. His life was saved by the intervention of Dr. Cantlie, who had taught him medicine in Hongkong.

During the next ten years Sun Yat-sen was active in Europe, America and Japan, where he founded a revolutionary society called the *Chung-kuo Ko-ming T'ung-meng-hui* ('Chinese Revolutionary League'). Various revolutionary *coups* in China were organized and failed, until the more or less accidental explosion at Wuchang in October, 1911, led to successful revolution and the abdication of the Manchu Dynasty. Sun Yat-sen had no direct connexion with the military outbreak which was the immediate cause of the revolution. Failure had so far attended the efforts, with bomb and pistol, of Sun and his Cantonese supporters. Success came only when the modern Chinese Army was involved.

Yet the revolution was primarily the handiwork of Sun Yat-sen; and with the birth of the Republic he should have come into his own. But the Chinese genius for compromise and dislike of clear-cut issues intervened. Sun Yat-sen retired in favour of Yuan Shih-k'ai, who controlled the modern armies of North China. Yuan Shih-k'ai became the first President of the Republic. Li Yuan-hung, the northern general who, thrust by chance into the leadership of the rising at Wuchang, had been acclaimed the hero of the revolution, was appointed

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Vice-President and lapsed into obscurity. Yuan Shih-k'ai became all-powerful; and the Republicans were soon to learn that, in ridding China of the Manchu Dynasty, they had but exchanged one master for another.

Sun Yat-sen and his fellow revolutionaries had contemplated establishing the Government of the new Republic in Nanking, the 'Southern Capital' of the Chinese Ming Dynasty before the Manchu conquest. But Peking was the stronghold of the northern military party and Yuan Shih-k'ai had no intention of moving to the south. The capital remained in Peking; and in Peking Yuan set up his Government, which was the Government of Imperial China stamped with the name of a republican régime.

Sun Yat-sen in retirement proceeded to reorganize the *T'ung-meng-hui* into the *Kuo-min-tang* (the 'National People's Party'), with which Yuan Shih-k'ai soon found himself in conflict. For the time being the struggle was decided by Yuan's victory in the civil war of 1913. But this was only the first chapter in the long-drawn struggle between the revolutionary Kuomintang and the reactionary militarists of northern China; a struggle which was to end fifteen years later with the arrival of the Nationalist armies in Peking and the belated transfer of the capital. During the intervening years this fundamental issue, the delayed development of the revolution, was continually obscured by civil warfare between the militarists of both sides, especially amongst the northern leaders, whose inability to hold together after the death of Yuan Shih-k'ai was a considerable factor in their eventual destruction.

By 1914 Yuan Shih-k'ai had established himself as President-Dictator of the Chinese Republic. He proscribed the Kuomintang, dissolved China's first Parliament, cancelled the first Republican constitution, promulgated a new one of his own and created a new state council composed of his nominees. The views generally held in foreign circles at this time were that Sun Yat-sen was an unpractical visionary and the Kuomintang a nuisance, and that the only hope of stable

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government in China rested with Yuan Shih-k'ai, who received the moral support of the British and other foreign Governments and the material support of foreign loans. Only the Japanese showed themselves consistently hostile to Yuan, whom they had always regarded with disfavour ever since he opposed them in Korea before the China-Japan war of 1894.

At the end of 1915 Yuan Shih-k'ai started a movement to make himself emperor. But the new dynasty was never born. A rebellion, which started in remote Yunnan, broke out against him. Unable to stem the rising tide of revolt, Yuan cancelled his monarchical scheme; and died soon after, in the summer of 1916, broken and discredited by the failure of his plans. He was one of the three outstanding figures of modern China, ranking with Sun Yat-sen and Chiang Kai-shek. But it would be difficult to select three more dissimilar characters. Yuan Shih-k'ai was solid and old-fashioned, brave and determined, embodying the virtues and the faults of the northern Chinese. His failure was due to the consistent hostility he met with from Japan and to his inability to understand and co-operate with the new forces and new ideas of revolutionary China.

After the death of Yuan Shih-k'ai the first Republican constitution was revived and the old Parliament restored. The original Vice-President, Li Yuan-hung, became President of the Republic. The next few years showed clearly that the Chinese Republic, as it had developed since the revolution of 1911, was without foundations and that the country had only been held together by the strong hand of Yuan Shih-k'ai. Li Yuan-hung was a well-meaning man without personality or strength of character. His successors, the victims of their military environment, ranged from the type of reasonably honest northern soldier to the most unscrupulous of buccaneers.

In the summer of 1917 Chang Hsün, an old general of the Manchu régime, attempted unsuccessfully to restore the Manchu Dynasty. Chang Hsün's *coup d'état* in Peking fizzled

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out without exploding. A political reshuffle ensued. Li Yuan-hung was forced into retirement. Another general named Feng Kuo-chang stepped into his shoes. The northern militarists convened a new Parliament of their own, and set up as President a venerable figurehead named Hsü Shih-ch'ang. This inaugurated the régime of the *Anfu* Party, a clique of northern generals and politicians, mostly from Anhui province, headed by an astute old gentleman named Tuan Ch'i-jui.

Tuan Ch'i-jui and the *Anfu* Government made terms with Japan and were supported by Japanese loans. Japanese influence was paramount in Peking and the ambitions of Japan, to take China under her wing, seemed likely to be realized.

China, following the lead of the United States, was drawn into the World War as one of the Allied and Associated Powers. A sleeping partner in the allied ranks, she found herself when peace was made on the right side, amongst the victors in the war. A Chinese delegation journeyed to Paris to claim for China her share in the rewards of victory. Instead they were presented with the Treaty of Versailles, of which the Shantung articles, with cynical indifference to China's claims, awarded to Japan all German rights and interests in Shantung province. China refused to sign the treaty; was told not to be obstinate and foolish; but held her ground; and was duly vindicated in her attitude by subsequent events. The student movement, voicing the national resentment over the injustice of the treaty makers' work, burst into flame and the pro-Japanese Government of Tuan Ch'i-jui disappeared in a storm of protest and agitation against Japan.

Years of disorder and civil warfare followed. Peking, as the nominal seat of government, became the prey of warring factions led by a succession of northern generals, each proclaiming himself the saviour of the nation. Feng Kuo-chang, Tuan Ch'i-jui, Wu P'ei-fu, Ts'ao K'un, Feng Yu-hsiang, Yen Hsi-shan, Chang Tso-lin and a host of lesser lights came into ephemeral control, combined or fought kaleidoscopically with one another and passed successively on to and off the stage. During these 'wars of the rice-bowls' the provinces,

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left to their own devices, lapsed into the control of regional rulers of their own. Foreigners at the treaty ports complained bitterly of the disordered state of China, talked again of her dismemberment and urged their Governments to intervene by stronger action and to recognize these regional authorities as the rulers of separate and independent States. Yet the tendencies of the warring generals were in reality far from centrifugal. They were fighting, not for independence, but for personal aggrandizement or to assert their claims to be the Government of China. *T'ung-yi* ('unification') became the Chinese war-lord's battlecry. To encourage 'regional recognition' was to promote dismemberment and a return to the bad days of spheres of influence in China. Only the Japanese now wished to play that game.

While the northern generals warred year after year with one another, events, almost unnoticed at the time, but of far-reaching significance, were taking place. As the political chaos in the north increased, the Kuomintang in South China grew in power and influence. It became apparent that Canton was still the home of the arrested revolution. In spite of local dissensions and civil wars in South China, Sun Yat-sen and his party established, with many set-backs, a southern Government of the Kuomintang seated in Canton.

In 1923 Sun Yat-sen met Joffe, one of the early Soviet emissaries in China, and the two established to their mutual satisfaction the community of interest between the Chinese and Russian revolutions. In 1924 Sun Yat-sen was busy reorganizing the Kuomintang, re-modelling the party and its internal structure after the fashion of the Soviet. Borodin and other Russian advisers arrived in Canton and their influence rapidly became supreme.

The next few years were vital ones in the history of the Kuomintang, representing the period during which the party turned to the Russian revolution for inspiration and material support. The Chinese Communist Party, founded by Chinese students who had gone to Moscow after the student risings of 1919 and controlled from Russia, gradually insinuated

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itself into the counsels of the Kuomintang, aiming to control its policies. The Communists planned to bolshevize the whole of China by securing control over the Kuomintang.

In 1924 the First National Party Congress of the Kuomintang was held at Canton. The congress issued a manifesto of the party's policy and constitution and endorsed the plan of co-operation with Russia and the admission of Communists into the party. Sun Yat-sen and his Soviet advisers established the Whampoa Military Academy, near Canton, appointing as its commandant a young officer from Chekiang named Chiang Kai-shek,¹ who had been a military student in Japan and had there become associated with Chinese revolutionary circles. The Whampoa cadets and their commandant were destined to play an important part in the completion of the revolution, the conquest of China by the Kuomintang and the building up of the new Nationalist Chinese State.

Under the inspiration of the Russian advisers and their allies, the leaders of the Chinese Communist Party, the Kuomintang now adopted as one of its main principles of policy an extreme nationalism which in the circumstances of the place and time inevitably took on the form of anti-foreign agitation and excess. Against the background of the 'Unequal Treaties', all China's ills were ascribed to the imperialism of the foreign Powers. A crusade was declared against the foreign imperialists and their 'running dogs', the northern Chinese militarists. To the foreigner the Kuomintang from being a nuisance had become a menace. It seemed that South China had gone entirely red and that the northern militarists, discredited and disreputable as many of them were, furnished the only bulwark against the advancing wave of bolshevism which threatened to submerge the whole of China. This phase lasted for four years, from 1923 to 1927, when the Kuomintang and Chinese Nationalism shed their Russian associations, purged themselves of Communistic influences and became purely Chinese in aim and outlook.

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¹ The southern pronunciation of the three Chinese characters romanized according to the northern dialect as Chiang Chieh-shih.

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In March, 1925, Sun Yat-sen died in Peking, the time and place appropriate to his self-appointed task. The revolution was at long last in a fair way to being consummated. Sun had spent his life working to free China from the servitudes of Manchu rule and foreign domination. The abdication of the dynasty in 1912 had been but a half-way house. For another fifteen years the revolutionaries battled against the reaction of the northern generals. In 1925, when Sun came to Peking, the North had nearly, but not quite, shot its bolt. A turn in the kaleidoscope of northern politics had produced an ephemeral alliance between Chang Tso-lin, the ruler of Manchuria, and the Kuomintang. Sun's body was embalmed in a glass-fronted coffin after the manner of Lenin's and lay for four more years in a temple near Peking. In 1929, when the Kuomintang victory was at last complete, he was buried with much pomp and ceremony in the great mausoleum prepared for his reception on the slopes of Purple Mountain at Nanking. The Diplomatic Body walked in the funeral cortège. The great revolutionary had come into his own at last.

Sun Yat-sen left behind him his 'Will', dictated on his death-bed, in which he exhorted his countrymen to co-operate with those nations prepared to deal with China on a basis of equality, to consummate the revolution and to abolish the Unequal Treaties; and a volume of lectures, the *San Min Chu I* ('The Three People's Principles'—nationalism, democracy and social economy); which, with the 'Will', became the Bible of the Chinese Nationalists. Like the works of other celebrated Nationalist leaders, the *San Min Chu I* essays are prolix and redundant, abound in platitudes and are coloured by prejudices and exaggerations. But they contain a basis of shrewd comment and sound sense.

Sun Yat-sen has been charged with mental instability, egoism and inordinate ambition. He had many detractors, especially amongst the foreign residents in China, by whom he was generally regarded as a visionary and trouble-maker. It was commonly said that he was greater in death than he had ever been in life. Certainly there can be no question of the

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greatness of his influence after he was dead and canonized; nor of his ultimate accomplishments. For the new Nationalist China is his monument.

Sun Yat-sen's death left the Kuomintang a prey to internal dissensions and partly under Russian and Communist control. The outlook seemed more than ever hopeless. The country, overrun by hordes of soldier-bandits, was bled white by civil wars. The Peking Government, reduced to a shadow but still recognized as the Government of China by the foreign Powers, passed under the control of Chang Tso-lin, the wily old war-lord of Manchuria. Feng Yu-hsiang, the 'Christian General', controlling with his armies the north-western provinces, joined the extremist faction of the Kuomintang and linked up with Russia overland. The northern leaders cut one another's throats in meaningless internal strife. The fate of China seemed to be balanced between military anarchy and Communism.

It was the darkest hour before the dawn. The Kuomintang and their Communist allies decided that the time was ripe for a final blow against the North. The expedition set out from Canton in the summer of 1926. Chiang Kai-shek was commander-in-chief and amongst his army and divisional commanders were to be found the names of many of the men who have since played leading parts in the history of modern China. The armies of the Kuomintang marched victoriously northward, meeting with success after success, due to the methods of revolutionary propaganda taught them by the Russians rather than to any special military prowess of their own. Before the end of 1926 they reached the Yangtze and occupied Hankow. The forces of Chang Tso-lin, representing all that was left of the northern armies, prepared for battle in North China.

The Kuomintang, counselled by the Russian Borodin and Chinese Communists, established their Government at Hankow, where they came into conflict with Great Britain over the invasion of the British concession. In March, 1927, there occurred the Nanking incident, when Nationalist troops

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looted Nanking and attacked the foreign consulates and residents. This was the last and culminating manifestation of the anti-foreign red régime. In the meantime Chiang Kai-shek, the generalissimo of the Nationalist armies, had taken up his stand against the Russians and Communists. In due course he purged the Kuomintang of its extremist members and hunted the Russians and Communists out of the party. The new National Government, controlled by Chiang Kai-shek and cleansed of its Communistic elements, was established at Nanking. The Russians fled the country; while their Chinese disciples withdrew into the mountains of Central China and organized the red armies of Communists and bandits which were for many years to embarrass and preoccupy the Nanking Government.

These dissensions in the ranks of the Kuomintang held up, but only for a time, the drive of the revolutionary armies against the North. The months that followed were the story of Chang Tso-lin's losing fight against the Nationalists. What was left of the Government in Peking was utterly discredited and the Kuomintang were daily gaining adherents throughout the country. The struggle came to its inevitable end in the summer of 1928, when the Nationalist armies reached Peking and Chang Tso-lin was assassinated by a bomb exploded in or on his train when he was retiring to Manchuria.

Peking, renamed Peiping, ceased after a reign of many centuries to be the capital of China. The National Government at Nanking, recognized as such by the foreign Powers, now set about the execution of its foreign policy, the revision of the Unequal Treaties. They found the smaller Powers easy to deal with, and Britain and America prepared to meet them, but Japan was obstructive and aloof. Nevertheless progress was made, tariff autonomy and other lost sovereign rights regained, and negotiations over extraterritoriality initiated.

Internal warfare was, however, not yet at an end. In 1929 and 1930 Chiang Kai-shek was engaged in fighting and defeating rival factions. The last civil war collapsed dramatically when Chang Hsueh-liang, who had succeeded his

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father Chang Tso-lin as ruler of Manchuria, declared for Nanking and the Kuomintang. The 'Young Marshal', like the rest of the educated youth of China, had fallen under the influence of the new nationalism. The flag of the Kuomintang was flying throughout China when Japan struck in Manchuria in the autumn of 1931. Since then the history of Nationalist China has been that of slow but steady progress towards unity and reconstruction and of the stiffening resistance of the Chinese people to the growing aggression of Japan.

The era of civil wars in China lasted for twenty years, from 1911 to 1931. During this period banditry increased and law and order disappeared over large areas of China. It seemed as though the Chinese people, having overthrown their Manchu rulers, were incapable of governing themselves. Yet looking back nowadays on the revolution and the events of later years, it is apparent that no other result could have been expected. In all great countries violent revolutions have been followed by years of civil wars and chaos before orderly government emerged. In the case of China the revolutionaries after 1911 sought to convert an ancient empire of four hundred million Asiatics, the majority illiterate, into a parliamentary republic modelled on the democratic constitutions of Europe and America. The experiment was bound to fail. The Chinese Republic lapsed into regional militarism and civil war. The problem of how to govern China after the abdication of the Manchu Dynasty was one to which no theorist in the art of politics and government could then have found the key. The solution, when it came, was found to be the same as that used to solve the problems of government in modern Russia, Turkey, Italy and Germany. China was regenerated by the spread of the new nationalism. The National Government of the Kuomintang, the best that China has enjoyed since the heyday of the Manchu Dynasty two hundred years ago, is a dictatorship of party, and lacks all foundation in democratic principles. The theory of government, so far as one exists, lies in the doctrine that the

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Kuomintang had first to conquer the country and then to educate the people up to constitutional rule.

The National Government of the Kuomintang, established at Nanking in 1928, were faced with a stupendous task. China seemed in a state of disintegration and decay. The whole land was overrun by bandits. The Russians and the Communists, formerly allies of the Kuomintang, were now their bitter enemies, and bands of Communists, withdrawn into the mountains, were forming red armies many tens of thousands strong. In the North the forces of the native militarists had still to be subdued. Foreign sympathies, alienated through the outrages of the Communistic phase, were strongly with the North. The finances of the country lay in ruins and the Government loans, all but those served by the Customs revenues, were in default. Less than ten years later a measure of unity had been achieved, banditry had everywhere decreased, the finances and the currency had been straightened out, commerce and industry had been revived, new measures of public health and education had been initiated, thousands of miles of new motor roads had been constructed, and the foundations of a new China had been firmly laid.

But at every step forward towards unity and reconstruction China and the Kuomintang met with blows and obstruction from Japan.

CHAPTER TWO

JAPAN IN CHINA

Until the 'nineties of last century Europe looked upon Japan as the picturesque land of the Mikado, an interesting survival from the Middle Ages, and another Asiatic nation open, like China, to the pressure and exploitation of the western world. But the Japanese had been busy studying the methods and inventions of the West and were determined to free themselves from foreign domination and to raise their country to a status of equality with Europe and America. The war with China in 1894, which exposed the rising strength and ambitions of Japan, marked the turning point in her imperial career. From that time on the Japanese were to take their place *vis-à-vis* China as one of the exploiting Powers; and gradually to improve their position until they emerged after the World War as the leading Far Eastern Power and arbiter of China's fate.

The Japanese as victors in the war of 1894 were in a position to dictate the terms of peace. As well as compelling China to renounce her suzerainty over Korea (the bone of contention which had caused, or been the pretext for, the war) and acquiring Formosa and neighbouring islands off the China coast, Japan demanded a treaty on the model of China's Unequal Treaties with the western nations, including exterritoriality, tariff control, treaty port areas and a Most Favoured Nation clause (the latter meaning in those days that China conceded to Japan every special right or privilege which had been or might in future be extorted from her by any other Power). Thus at a bound Japan passed from the ranks of the oppressed to those of the oppressor nations and was admitted as a member

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of the western *bloc* of Treaty Powers in China. The representative of Japan could from now on claim a seat and voice in the sacred deliberations of the Diplomatic Body, alongside those of the great nations of the West: Britain, America, Russia, Germany and France. Who in those days could have imagined that the time would come when giants like Germany and Russia would be eliminated from the Treaty Powers, and that the British and American communities in China would one day owe their continued enjoyment of the privileges of the Unequal Treaties to the fact that Japan alone amongst the treaty nations refused to give them up!

Amongst her other fruits of victory in the war of 1894 Japan demanded from China the cession of Port Arthur and the Liaotung peninsula in Manchuria.¹ A coalition of continental Powers, Russia, France and Germany, stepped in and gave to Japan 'friendly advice' not to annex Chinese mainland territory. This was a hint from the Great Powers of Europe, which the Japan of 1895 did not dare to disobey; though the same Great Powers were themselves about to engage upon the dismemberment of China. Nursing their injured pride the Japanese withdrew; only to see Russia step almost immediately into their shoes.

The Boxer rising and the harsh military terms of the Final Protocol of 1901 afforded Japan a further opportunity of consolidating her position as one of the Treaty Powers in China. As in the case of the Unequal Treaties, no one in those days could have imagined what the outcome of the famous Protocol would be. Its military provisions gave to each signatory Power the right to station troops in Peking 'for the defence of its Legation' and to maintain military garrisons at agreed points along the railway line 'to maintain free communications between the capital and the sea'. Thirty years later Peking had ceased to be the capital and the Chinese Government and the Legations, converted into Embassies, were established in Nanking. Yet the 'Legation Guards' remained,

¹ *Liaotung* means 'East of the Liao River'. The tip of the peninsula is also known as *Kuantung*, meaning 'East of the Barrier' (not to be confused with *Kuangtung*, i.e. Canton province).

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guarding the empty buildings in Peking; and the garrison of Japanese troops, swollen from a few hundreds to many thousands, came gradually to occupy most of the strategic points of North China and to be used for pressing on the local Chinese authorities the political ambitions of Japan.

During the period of the Battle of Concessions (1896 to 1900) Japan, still occupied in building up her national resources, had been content to play a relatively passive role; while the European nations, led by Russia, bullied and scrambled over the dismemberment of China. By the end of 1900 the Russians were masters of Manchuria and were penetrating the derelict Empire of Korea, which was already, following the war of 1894, earmarked as a Japanese preserve. Russia in the Far East was thus brought into collision with Japan; just as in Central Asia, seeking to penetrate the Pamirs and Afghanistan, she collided with the British Government. The two island empires, Britain and Japan, drew naturally together, and for twenty years the Anglo-Japanese Alliance was the dominating factor in the East.

The inevitable clash between Japan and Russia came in 1904. The Japanese and Russians fought one another to a standstill in Manchuria. But Japan was left the undisputed mistress of Korea and acquired from Russia the southern section of the Chinese Eastern Railway, renamed the South Manchurian Railway, and Port Arthur and Dalny, renamed Dairen, and the Liaotung territory, which she had been forced by Russia to give up ten years earlier. By the agreements of December, 1905, China accepted and confirmed all these arrangements, under which Japan succeeded to the acquisitions, special rights and interests of Russia in South Manchuria.

Manchuria, from having been a veiled protectorate of Russia, was now divided into two preserves, one Russian and the other Japanese. Originally a land of prairie, swamp and forest, whence the Tartar tribe of Manchus had emerged to conquer China, Manchuria had in the last few decades become a Chinese granary. The population was by now

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a Chinese one. Yet politically Manchuria, as the home of the dynasty that occupied the Dragon Throne, was still a special region set apart from China proper. In any case, whatever its exact status may have been, the fate of Manchuria was sealed. Given a situation in which one foreign Power owned and policed with military guards the main trunk railway running through another country, and the belated awakening of a sense of nationalism amongst the people of the latter, an explosion of some kind was ultimately inevitable. Nothing that the League of Nations, or any one else, could have devised within the four corners of the existing situation could have provided a solution. Either China or Japan had to give way. The result was the creation twenty-five years later of the Japanese-protected State of Manchukuo.

The story of China's relations with Japan from 1905 down to the Great War comprised a long series of wrangles over major and minor questions in Manchuria; the Japanese seeking to enforce and widen their newly acquired rights of ownership and control over the railways, mines, forests and concession areas; and the Chinese seeking to restrict and whittle down these rights wherever and whenever it seemed possible to do so. In Japan the army and navy had not yet acquired that hold over their country's foreign policy which they were later on to exercise to China's detriment, and the Japanese as a nation were not yet sure enough of their imperialism to press the Chinese too hard. Moreover the Anglo-Japanese Alliance exercised a restraining influence, while the concert of Great Powers was still recognized as the dominating factor in the control of China. Japanese policy in China during these years was, therefore, relatively mild and at times even conciliatory in character; and it is strange to recall that in 1908 the Japanese Government reduced the strength of their Legation Guard; and that Russia, competing in gestures of conciliation, followed suit.

Nevertheless almost incessant diplomatic friction was caused by the various issues arising out of Japan's new position in Manchuria; the construction of Chinese lines parallel to the

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South Manchurian Railway;¹ the boundaries of the Chientao frontier region and the position of Korean settlers there; the reconstruction of the Antung-Mukden Railway;² Japan's right to the valuable coal mines at Fushun;³ and other matters connected with the South Manchurian Railway and the railway zone and settlements. And when the Chinese Government proposed to refer these matters to the Hague Tribunal, the Japanese refused and compelled acceptance of their views by threats of force.

Meanwhile the Government and people of America were showing an increasing interest in China and Manchuria, and the representatives of the United States were becoming increasingly active in opposing the plans and ambitions of Japan. In 1909 an American financial group, in partnership with a British firm, entered the field with a proposal for the construction of a new trunk line traversing Manchuria.⁴ This project being firmly vetoed by Russia and Japan, the American Government threw a bomb into the turbid waters of Far Eastern politics by their proposal for the internationalization of the railways of Manchuria; a suggestion which even in those days ignored in a surprising way the realities of the situation in Manchuria. Japan reacted in 1910 by concluding an agreement with Russia on the subject of their respective

¹ The Chinese Government were committed by the secret protocols or signed minutes attached to the agreement of 1905 (in which China confirmed the acquisition by Japan of Russian rights and interests in South Manchuria) not to construct near or parallel to the South Manchurian Railway any new lines which might be prejudicial to the interests of the S.M.R.; a provision the scope of which lent itself to indefinite expansion.

² Under the agreement of 1905 Japan had the right to rebuild and to operate for fifteen years the temporary war-time railway which she had constructed from Antung to Mukden.

³ Japan claimed the Fushun coal mines as part of the Russian railway rights and interests; the Chinese contested the claim on the grounds that the mines were private property; but finally conceded this and all the other Japanese demands.

⁴ The project was to construct a trunk railway traversing the length of Manchuria from Chinchow near the Gulf of Chihli in the south to Aigun on the Amur in the north; the railway was to be a Chinese Government line, and was to be financed by the American group and built by a firm of British contractors.

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interests in South and North Manchuria; and in the same year she proclaimed the annexation of Korea.

In 1911 revolution against the Manchus broke out in China. Japanese policy towards the disappearance of the Manchu Dynasty and the founding of the Chinese Republic appeared tortuous and inconsistent. On the one hand Japanese were frequently involved in giving active assistance to the rebels; while on the other the Japanese Government expressed their strong disapproval of the Republic, which they regarded as an inappropriate form of government for so near a neighbour of Imperial Japan.

Japanese disapproval of the new Republic was coloured by their hostility to Yuan Shih-k'ai, who had first made his mark by challenging Japan in Korea in 1894. Japanese opposition hampered Yuan Shih-k'ai throughout his period of rule and accelerated the collapse of his attempt to seize the throne. From the time of Yuan Shih-k'ai to that of Chiang Kai-shek the same story was to be repeated many times. Japan was always prepared to support and take under her wing Chinese generals and politicians who would serve her interests. But Japanese opposition was invariably aroused by any Chinese leader who seemed likely to establish a stable government and a united China sufficiently powerful to defy Japan.

The World War, when the European Powers were engaged in mutually destroying one another, afforded to Japan a heaven-sent opportunity to consolidate her growing interests in China. Hitherto she had been but one of the group of Powers dominating the Chinese Government; from now on she was determined to be paramount; and the public in the Far East were now brought for the first time to realize the scope of Japanese ambitions on the mainland of Asia. These were outlined, a few months after the beginning of the war, in the notorious memorandum of the *Black Dragon Society*, which exposed the plans of the Japanese military party for the political and economic control of China by Japan. China

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must, it was urged, be brought voluntarily, or be compelled by force, to accept a protective alliance with Japan, the proposed terms of which closely resembled the actual programme of Japan's war-time activities in China.

The first step in the programme was to eject the Germans and occupy Tsingtao. That having been accomplished, the Japanese, in 1915, presented the Chinese Government with their Twenty-One Demands. In the ensuing negotiations some of the demands were dropped. Japan insisted on the rest, giving the Chinese Government two days to accept or take the consequences. In the agreements which resulted China engaged to assent to whatever arrangements might be made between Japan and Germany for the disposal of German rights and interests in the province of Shantung; Japan's leases of the railways, Port Arthur, Dairen and the Kuantung territory (which would otherwise have run out in the nineteen-twenties) were extended for ninety-nine years; and the Japanese secured new and far-reaching rights in South Manchuria and Eastern Inner Mongolia. Thus was imposed on China the last of the long line of Unequal Treaties. South Manchuria became to all intents and purposes a Japanese protectorate.

The war dragged on and Japan's plans for securing the hegemony of China continued to unroll themselves. Taking advantage of China's civil wars and factional disputes, the Japanese were able to bring under their wing the *Anfu* Government of Tuan Ch'i-jui, who sold themselves to Japan in return for financial and material support.¹ In Europe the Allied Powers, with their resources thrown into the war, seemed willing to concede all that Japan demanded in the East. Only America continued her traditional policy of questioning and opposing Japanese activities in China. In 1917 Viscount Ishii was sent to Washington to square America. The result of his mission was the much-discussed exchange of notes in which, in return for Japan's reaffirmation of the threadbare doctrine of the open door, the United States recognized that

¹ The *Anfu* party was the name given to a political faction which controlled the Peking Government from 1917 to 1920.

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territorial propinquity created for Japan special interests in China.¹

Japan at first opposed China's entry into the ranks of the Allied Powers in the war, fearing lest such a step might lead to the emancipation of the Chinese from their state of international tutelage under the old treaties. But when, America having joined the Allies, China's break with Germany became inevitable, the Japanese Government sought to turn the situation to their advantage by introducing the Chinese as belligerents under their wing and patronage. Participation in the Allied intervention in Siberia afforded further opportunity. In 1918 the Japanese concluded with the *Anfu* Government of China a naval and military alliance, on the pretext that the situation in Siberia required the active co-operation of China and Japan. Mr. Nishihara appeared upon the scene and negotiated with the Chinese Government a series of loan agreements, mortgaging to Japanese interests China's national resources. This was the high-water mark of Japan's war-time effort in China; the programme of the *Black Dragon Society* had been carried out; and the Japanese ideal, of an obedient China looking to Japan for protection and support, seemed likely to be realized at last.

But, as had often before happened in the history of China, the Chinese people, pressed too hard, reacted with an explosion. The China provisions of the Treaty of Versailles, awarding to Japan the German rights and interests in Shantung province, and the blatant venalities and pro-Japanese policies of the Peking Government provoked the student outbreaks and boycotts of 1919. The *Anfu* faction, having for three years lived on Japanese support, collapsed.

Whether or not on account of these outbursts of nationalist feeling amongst the Chinese, or because of the apparently overwhelming strength of Great Britain and America as victors in the war, Japan seemed to have arrived at the

¹ A few years later the United States cancelled the Lansing-Ishii agreement and thus withdrew their recognition of Japan's 'special interests' in China.

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conclusion that she had overreached herself in China, and for the next few years Japanese policy was relatively liberal and conciliatory towards the Chinese. Faced with a storm of indignation from the students and intelligentsia of China, Japan's first step was to offer to enter into negotiations with the Chinese Government on the subject of Shantung. China, with her foreign policy controlled by returned students from the United States, and believing the might of America to be at her back, refused this offer of direct negotiation and clamoured for revision of the relevant provisions of the Versailles Treaty. There followed the Washington Conference of 1921-22. At Washington Japan, by now a member of the new-born League of Nations, subscribed to the Nine Power Treaty, under which the signatories bound themselves to follow the policy of the Open Door in China and to respect China's sovereignty, independence, and territorial and administrative integrity; she joined with the other Powers in subscribing to a number of pious and cautiously worded resolutions regarding the revision of the old treaties; and she made arrangements, more or less to the satisfaction of the Chinese, for the return to China of Tsingtao, the Kiaochow Leased Territory and the Shantung mines and railways.

Japan's post-war policy of conciliation towards China reached its furthest point during the Russian episode, when, from 1925 to 1927 the Kuomintang, the national revolutionary party of China, then controlled by Communists and Russians, were engaged in their victorious advance from South China into the Yangtze Valley. The *motif* of the movement as it affected foreigners in China was to regard Great Britain as the arch-enemy amongst the imperialistic Powers, and British trade and interests were harassed and attacked. For nearly two years throughout South China and up and down the Yangtze Valley the waves of militant Communism and anti-British hate seethed, boiled over and broke against the wise restraint of British policy. In the affected areas British trade was at a standstill and on the Yangtze British river shipping was tied up idle at the wharves. In the case of Chinese boycotts one country's misfortune is apt to be another's

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opportunity. British trade in China had often in the past benefited from the anti-Japanese boycotts of the Chinese. Now the position was reversed. Japanese trade with China boomed and Japanese vessels sailed the Yangtze crammed with passengers and goods. It was at this time that the policy and methods of Japan reached the limits of conciliation, and incidents and outrages by Chinese mobs and soldiery against the Japanese and their flag were allowed to go unpunished. Japan, making hay while the sun shone, sought to pose as China's only true and disinterested friend, sympathizing with the Chinese in their efforts to rid themselves of foreign domination and willing to give them discreet assistance in their struggle against the imperialism of the West. Only in Manchuria was it more than a little difficult to maintain this pose.

In due course Great Britain's policy of patience and restraint met with its just reward, the Chinese people and their Government themselves turned against the Communists, and good relations between China and Great Britain were happily resumed. In the meantime the revolutionary Kuomintang, or Chinese Nationalists as they now became, were in process of subjugating the whole country and asserting themselves as the ruling party and government of a nominally united China. The British Government now took the lead amongst the Powers in urging a policy of treaty revision towards China, the abrogation of the old Unequal Treaties and the negotiation of new agreements on a modern basis of equality and reciprocity. Japan disapproved of these proposals. She might have been prepared, in return for a satisfactory *quid pro quo*, to make treaty concessions in her role of friend and protector of China against the aggression, real or imaginary, of Europe and America; but she was not ready to join, under the leadership of Great Britain, in a general revision of the old treaty system, which was regarded by all good Japanese as a natural instrument for keeping China in her proper place.

For a time Japan seemed embarrassed and undecided how to deal with the situation which had arisen from the growth

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of the new Chinese nationalism, the establishment of the Kuomintang Government and Britain's new policy of treaty revision in China. In 1927 the Tanaka Government in Japan announced the abandonment of Baron Shidehara's conciliatory methods and the launching of a new 'positive policy' in China; and troops were sent to Shantung to protect Japanese interests in that province against the advance of the Chinese Nationalists. Then the pendulum of Japanese policy seemed to swing back again towards conciliation and the troops were soon withdrawn. But in 1928 Japanese armed forces were once more landed and sent into the interior of Shantung, where they came into conflict with Chinese Nationalist troops in the battle of Tsinan. Following the Tsinan incident there was for the last time a swing back towards conciliation. Both Japan and China subscribed to the Kellogg Pact, thus renouncing war as an instrument of national policy and engaging to seek only by pacific means a settlement of all disputes which might arise between them. In 1929 Mr. Saburi, an enlightened diplomat of the Shidehara school, was appointed Japanese Minister to China; but his death in tragic circumstances before he could take up his appointment marked the end of the conciliation chapter. The Chinese began to show an increasingly independent spirit; and the National Government at Nanking actually refused to receive the next Japanese Minister to China on account of his association ten years earlier with the policy of the Twenty-One Demands. Japanese policy hardened progressively as the Nationalist movement grew in strength and the bitterness of the conflict with Japan increased as the influence of the Kuomintang Government spread over China. In Manchuria especially no compromise was possible between the newly awakened nationalism of China and the plans and ambitions of Japan.

From now on the stage was set for the inevitable clash. For twenty-five years the Japanese had made no secret of the fact that they regarded their interests in Manchuria as vital; and from the beginning of the Chinese republican era Japan

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had shown her determination to deal with Manchuria as an area separate from the rest of China. The influence of the Kuomintang Government began to reach into the Three Eastern Provinces, a movement arose for closer union between Mukden and Nanking, and events in Manchuria marched on remorselessly to their foreordained conclusion. In 1928 Chang Tso-lin, the dictator-ruler of Manchuria, had come to an untimely end in circumstances which have never been cleared up; and soon after his son, Chang Hsueh-liang, against the 'advice' officially tendered to him by the local representative of the Japanese Government, proclaimed his allegiance to the National Government of China newly established at Nanking.

In 1931 Japan struck in Manchuria and in 1932 the Japanese-protected State of Manchukuo ('Land of the Manchus') was born. The Russians, who had up to that time remained entrenched in North Manchuria, meekly surrendered Harbin and the Chinese Eastern Railway and withdrew. In 1933 the Chinese province of Jehol, lying between South Manchuria and Inner Mongolia, was invaded by Japanese troops and forcibly annexed to the new State. The rape of Manchuria was consummated.

Even then the situation might not have been beyond repair, if the Japanese had been content with their conquest of Manchuria and the Chinese had been prepared to cut their losses and surrender what they could not in any case regain. But the Japanese military were not content with their easily won triumphs in Manchuria, and Chinese Nationalism, encouraged by the League of Nations and America, would not permit of China acquiescing in the loss of the Three Eastern Provinces. The Chinese, fighting irresolutely back, gave to the Japanese generals a welcome pretext for carrying hostilities beyond the Wall. Step by step, and turning to their advantage every incident and accidental clash, the Japanese army advanced into Inner Mongolia and North China. By propaganda, bribes and promises they incited the Inner Mongol princes to rebellion. They hammered the Chinese along the line of the Great Wall and across the sandy, hill-encircled

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plains of North Hopei¹ until the Chinese Government, shame-facedly and to save Peking, agreed to a 'demilitarized zone', between Peking and the Wall, meaning a zone open to Japanese influence but closed to Chinese troops. An 'Autonomous Government' of Chinese renegades and their Japanese protectors was established in this zone, threatening Peking.

In the battles of this unofficial war in North China the Chinese troops offered a half-hearted and vacillating resistance, fighting fiercely at one point and withdrawing at another; as though in two minds whether to fight or not; which was in fact the state of mind of their leaders. For the Chinese armies in the northern provinces were composed of local troops, the remnants of the personal armies of the North China war-lords, before the nominal unification of the country by the Kuomintang; and it was the task of these local North China troops, according to the plans of the National Government at Nanking, to act as buffers against the Japanese without the risk of war; they were there to offer a nominal resistance and to be shot at sufficiently to satisfy the national prestige, but not sufficiently to risk involving the better-trained and relatively well-organized and well-equipped armies of Central China. Both sides appeared to realize that they should avoid, if it were possible, a general state of war between China and Japan; and to agree that war could be avoided if there was no clash with the main armies of Nanking.

That was the situation which had for three or four years prevailed in North China before the outbreak of major hostilities in 1937. An uneasy peace had fallen on the land. Japanese garrisons and military posts were dotted up and down the railway line and throughout the countryside and parties of Japanese military travelled as they pleased in the interior of the Chinese provinces of Chahar and Hopei. Particularly obnoxious to the Chinese was the practice of the Japanese garrisons of holding night manoeuvres; the behaviour of the Japanese military was generally provocative and overbearing;

¹ *Hopei* ('North of the River'), the new name given by the Chinese Nationalists to the former metropolitan province of Chihli.

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and no opportunity, it seemed, was lost of impressing on the Chinese the might and majesty of the army of Imperial Japan. It was in these circumstances that Japanese night manoeuvres, held in the vicinity of Peking, precipitated a resumption of hostilities. An accidental clash led to a battle. The Japanese war machine in North China, thus set in motion, advanced on Peking. The Chinese, embarrassed by the other foreigners and the Legation quarter, guards and buildings within the city walls, offered their customary half-hearted and indecisive resistance and finally retired, leaving the Japanese masters of Peking, once the greatest city of the East, but now, since the removal of the capital, an empty shell echoing the traditions of its mighty past.

Japan had a case in Manchuria—however displeasing to Chinese susceptibilities. True the Three Eastern Provinces (as the Chinese call the great Manchurian dependency) were part and parcel of the Chinese realm and were populated almost entirely by Chinese. But in 1904 they were in process of being absorbed by Russia; and it was the Japanese, and not the Chinese, who, at great cost of life and treasure, turned the Russians out of South Manchuria. Japan's railway, territorial and other acquisitions and her special rights and interests in South Manchuria were based on what she had won by force of arms from Russia; and these arrangements had been formally accepted and confirmed by China. Since then Japanese policy had made it very plain that the retention of Manchuria was regarded as essential to the strategic and economic safety of Japan; and that Japan would not hesitate to hold by force what she had won by war. Chinese Nationalism should have taken all this into account before challenging Japan on the sacred soil of Manchuria.

In North China, on the other hand, the Japanese advance was military aggression unalloyed, which no specious arguments about Chinese insincerity or treaty rights could excuse or mitigate. The spokesmen of Japan were at great pains to justify the actions of the Japanese army in North China under the Boxer Protocol. But the truth was that the Japanese military chiefs twisted the provisions of the Protocol to serve

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their ends. The situation arising from the continued operation of the military provisions of the Boxer Protocol produced indeed the most absurd anomalies. For, while the invading Japanese army from Manchuria fought its way across country from the Great Wall to Peking, and the Chinese manned the defences of the old capital, other Japanese troops would be carrying on their routine duties in the Legation quarter within the city walls and were being transported, in accordance with the provisions of the Protocol, up and down the Chinese trunk railway line connecting Peking with Tientsin and the sea. Battles might be proceeding in the one direction while in the other the Japanese and other foreign troops would be garrisoning their military posts under conditions that were nominally normal. The Japanese army occupying, under the Protocol, the railways of North China, alleging the provocative and contemptuous behaviour of the Chinese troops, called upon the latter to withdraw wherever they were in contact. The Chinese, irresolute, stood fast or hastily retired according to their momentary mood. Successive incidents resulted in successive clashes, protests and advances by the Japanese.

Even after the Chinese withdrawal from Peking there still remained a possibility of negotiations which would arrest hostilities before they developed into war. The Japanese objective, long suspected and now more or less declared, was to secure the establishment of a puppet administration which would bring the northern provinces under Japanese control while leaving them nominally part of a weak, divided China. The Japanese military pressed, as always, for a 'local settlement'. Nanking, clinging to the principle of China's unity, claimed to repudiate any arrangements which they had not authorized. The gap between the growing appetite of Japan's military chiefs and the rising temper of the Chinese widened and the situation went from bad to worse. And then came the explosion at Shanghai.

Assuming the readiness of both sides to confine to the North the area of hostilities, fighting broke out more or less

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accidentally at Shanghai in 1937 as it had broken out in 1932. It would be futile to attempt to apportion the immediate blame to either side. The Chinese charged the Japanese with unprovoked aggression. The Japanese maintained that the Chinese advanced their troops in violation of the truce agreement of 1932. But the ultimate cause lay in the bitter feelings roused by the Japanese invasion of North China and the combustible nature of the local situations.

Until 1927 Shanghai had always been a haven of peace and refuge from the storms of Chinese civil wars. No foreign troops were stationed there. In that year the British Government rushed a division to Shanghai to protect the large British interests in the Foreign Settlement against a repetition of what had happened at Hankow. The other interested foreign governments, including the Japanese, followed suit. The danger to the Foreign Settlement soon passed. But the foreign troops remained, because the Japanese, who erected huge concrete barracks in their quarter of the settlement, would not withdraw. Since then, as the conflict between China and Japan grew in intensity, Shanghai became a powder magazine, requiring but a spark to start a conflagration.

In 1932, when the situation at Shanghai had similarly detonated, hostilities had been brought to an end and a major war between China and Japan had been averted by the mediation of the representatives of Britain and the other neutral foreign Powers. A truce agreement was concluded under which both sides withdrew their troops, the Japanese into their quarter of the Foreign Settlement, and the Chinese to a reasonable distance from its boundaries. In 1937 the conflict was too acute and beyond the stage when local settlements were possible. The Japanese had overplayed their hand on the theory that they could be at war with one part of China and remain in commercial and diplomatic relations with the rest. The National Government, which had chosen to play a passive role while hostilities proceeded in the North, could stand aside no longer, and threw the weight of their new German-trained armies into the scale; the Japanese rushed reinforcements to Shanghai and landed a large

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expeditionary force; and a full-dress war between China and Japan developed rapidly.

The Japanese found the armies of the Nanking Government a much tougher proposition than the northern troops, against whom they had been waging intermittent war since 1931. The northern soldiers, formerly the best in China, had fought with little determination or enthusiasm. But at Shanghai the Chinese troops of Chiang Kai-shek's divisions stood their ground and died like heroes for their country's sake. Apart from the overture of 1932, no Chinese troops had ever fought like this before. It took the Japanese three months before they could dislodge the Chinese from their positions round Shanghai. Then the Chinese, so it seemed, cracked up, and the Japanese swept forward up the Yangtze to occupy Nanking, which fell, after a brief defence, before the Japanese assaults.

One of the most tragic aspects of the Japanese invasion was the destruction by air and artillery bombardment of the newly erected public buildings, universities and civic offices at Shanghai and other centres attacked by the armed forces of Japan. The fall of Nanking seemed to be the culminating tragedy for China and the Kuomintang. Millions had been expended on the new capital of Nationalist China, on public buildings, schools and universities, and roads and parks. All the results of this enormous effort were disrupted by the Japanese. The new Nanking was still garish and ugly, with the ugliness of a half-developed modern town. But the park laid out on Purple Mountain round the tomb of Sun Yat-sen and many of the recently erected Ministries and public offices were very beautiful. The situation, on the mighty Yangtze backed by hills, contains tremendous possibilities. And Nanking promised to be one day a worthy capital. In any case it epitomized the aspirations of the Chinese Nationalists. And the Japanese no doubt believed that by its occupation they would deal a death-blow to the Nationalist cause. Instead they found that the real struggle had only now begun.

The Japanese Government announced that, unless the Chinese came instantly to heel, they would be under the

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necessity of taking further and more drastic action. Two alternatives were apparently presented: to declare war; or to emphasize the punitive character of their hostilities by withdrawing recognition from the Chinese Government. As they had been bending all their energies for months to the task of destroying that Government by force of arms, it did not seem to matter much to China which of these two courses they might choose to take. Selecting the latter, the Japanese announced that they withdrew their recognition from the Chinese Government. At the same time they established in Peking a Chinese administration of their own creation. Later they set up a similar administration in Nanking, reserving for subsequent consideration which of the two régimes was to be ultimately recognized as the Government of China. The names of Chinese politicians of the *Anfu* Party, which had been relegated to the dusty shelves of history for nearly twenty years, appeared again amongst the Chinese sponsors of these Japanese-protected local Chinese Governments.

After the Japanese occupation of Nanking the National Government were reassembled in Chungking, beyond the Yangtze Gorges; while Chiang Kai-shek, making his headquarters in Hankow, proceeded to reorganize the Chinese armies in preparation for the next onslaught of the Japanese. The latter were by now involved in far-flung hostilities over an enormous area as large as France and Germany; their left flank resting on the Yellow Sea; their right engaged in Shansi with the red armies of the Chinese Communists. As in the case of Chinese civil wars, the fighting was canalized along the railway lines, since, once they left the railways, the Japanese were faced with appalling transport difficulties. And everywhere their long lines of communication were harried by guerrilla bands, remnants of defeated Chinese armies, brigands, communists, irregulars, and student volunteers—all become heroes overnight and united to attack the common foe.

The main thrusts of Japan's military forces were directed down the Tientsin-Pukow and Peking-Hankow railway lines. These two trunk railways, running from north to south, are crossed by a third railway, called the Lung-hai line, affording to the

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side which holds it invaluable lateral communications east and west. The Chinese threw themselves in a fury of resistance into the defence of the Yellow River and the Lung-hai railway line.

The struggle developed into a great battle for Hsüchow, where the Lung-hai and Tientsin-Pukow railways cross. Nanking had fallen at the end of 1937. But it was not until five months later that the Japanese were able to dislodge the Chinese armies, occupy Hsüchow and effect a junction between their forces advancing from both ends of the Tientsin-Pukow railway line. The Japanese then pushed on westwards along the Lung-hai line, uncovering Hankow and rolling up the Chinese armies, which again seemed likely to collapse. But at this point the flooding of the Yellow River intervened. The dykes, damaged by gunfire, aerial bombardment and neglect, gave way, admitting floods of yellow waters over vast areas of Shantung and Honan. The Chinese people from the dawn of history had grown accustomed to these recurrent flood disasters, due to the Yellow River breaking out. But in this case the inundations turned from a military point of view to China's benefit, staying the enemy's advance. The Japanese, checked by the floods along the railway lines, were left with no alternative except to force their way through boom and minefield up-river from Nanking to Hankow.

In July of 1938, after the war had been in progress for a year, the two sides were locked in conflict in the Yangtze swamps. The Chinese armies, defeated in every major combat, and, according to the Japanese *communiqués*, destroyed, liquidated and dispersed, continue somehow or other to resist; counter-attacking and harrassing the Japanese from the Yangtze Valley to Mongolia. Japan has more than half a million soldiers in the field; and yet the 'China incident', which Tokyo refused to recognize as worthy of the style and status of a war, shows little prospect of a speedy settlement. The Japanese may count on smashing through and occupying Hankow and the cities of Wuhan; but what is to happen next if China's Government and armies continue to resist?

The Japanese generals miscalculated grievously; thinking that China would fall in pieces under their hammer

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blows, and that, as in the days of China's former wars, they could knock out the Chinese armies without affecting Japanese relations with the provinces. Victory had followed victory, and, studying the map, it seemed that half of China was already in their hands. Yet, far from breaking up, China becomes more united and the national resistance stiffens the further the Japanese advance. And actually each line of Japanese invasion is but a thread across the face of China; leaving the countryside to right and left under its territorial authorities and a potential base for hostile operations against flank and rear. Frustrated, irritated and nonplussed, the Japanese engage in furious bombing raids, aiming to cow the spirit and smash the resistance of the Chinese people.

The Japanese generals have thus found out that warring with Chinese Nationalism in 1938 is a vastly different affair to a campaign in China in the years gone by, when Chinese armies were dispersed like chaff and military laurels could so easily be won. Given a stout resistance, no country in the world offers more formidable obstacles to an invading force. The huge extent of territory, the lack of modern roads, water-logged plains and pathless, tumbled mountains, combine to form a nightmare for the military strategist. A sense of frustration broods over the expanding area of hostilities. Military victories fail to produce political results. Campaigning in China has been aptly likened to digging in the sand, and the further the Japanese advance the more difficult it grows for them to extricate themselves from the adventure into which their generals so light-heartedly and arrogantly plunged. That is the picture which presents itself at the time these lines are written in July of 1938.

The Japanese are racially cousins of the Chinese, as the Chinese are also cousins, more or less remote, of the Manchu, Mongol and other Tartar races of the Asiatic continent. Superficially alike, the two peoples differ fundamentally in

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character: the Chinese, pacific and industrious, individualistic and instinctively undisciplined, and, until recently, lacking in fighting spirit and patriotic ardour; the Japanese, martial and energetic, submitting instinctively to feudal discipline, and taught by their national tradition to glory in war and patriotic sacrifice. The Chinese, whether one believes they came from Central Asia before the dawn of history or were evolved in the basin of the Yellow River where the first records found them settled, are a relatively pure and homogeneous race, which absorbed the aborigines of the regions of south-eastern Asia over which they spread. Four hundred million Chinese have the same slanting brown eyes and straight black hair, are bred in the same culture, traditions and philosophies, have the same reactions, faults and virtues, and speak the same ugly monosyllabic language¹ from the tropics to Siberia.

The Japanese are a mixed race: a fusion of the Tartars of north-eastern Asia with the wild islanders of the Southern Seas. They were barbarians when Chinese civilization was already old; and when they finally evolved their civilization it was one modelled largely on Chinese culture and philosophy. Though the languages of China and Japan are philologically unconnected, the Japanese, when they reduced their speech to writing, borrowed for the purpose the Chinese pictographic characters. The bonds of a common written language and a common culture, and some affinity, remote though it may be, of race and blood, create for the Japanese in their dealings with the Chinese people a position different from that of other foreigners; so that it is mistaken and misleading to interpret the actions of Japan in China by the standards of Europe and America.

What is it that Japan really wants in China?

Japanese statesmen and publicists inform the world that Japan seeks only the peace of Asia and the friendship and co-operation of the Chinese people; and the world smiles sadly at the tragic incongruity of end and means. Yet no such incongruity exists to the single-track and blinkered minds

¹ Subject to differences of dialect along the southern coast.

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of the military leaders of Japan. They seek the peace of Asia, but it must be a *Pax Japonica*; and the friendship of the Chinese people, but under the control and protection of Japan.

The Japanese, knowing themselves to be a strong and warlike race, look out across their narrow seas on the immense extent of China, with its fat plains, rich hinterlands and hundreds of millions of industrious inhabitants. Until the World War the wealth and resources of this enormous land seemed ripe for the picking of Europe and America. Yet even in those days the Japanese, having established themselves as a Far Eastern Power, regarded the western nations as intruders and were determined that the exploitation of China belonged ultimately and of right to them. After the World War the leading countries of Europe and America seemed prepared to liquidate their interests and holdings in the east of Asia. It was obviously for Japan to take their place.

Apart from the desire of the army to exercise its prowess and win military triumphs in the Chinese field, it was probably no part of Japanese policy to go to war with China or to occupy and administer large areas of China proper. But, conscious of their material superiority, the Japanese felt that they must and should dominate the Chinese for their own good and the glory and greatness of Japan. They wanted to be China's acknowledged friend and patron, and to stand protectively beside the Chinese Government as Britain used to stand beside the Governments of Egypt and Irak. Japan's ideal, in short, was to convert China into a second and a larger Manchukuo.

Down to the time of the Great War China had been held in a semi-colonial state of subjection by a concert of the Powers. The war broke up that concert and a new spirit of international benevolence, pacificism and war-weariness prevailed. The western nations which had survived the war, led by Great Britain and America, were ready for a new deal with China. Japan alone, not having suffered in the war, was unaffected by this post-war atmosphere. At first, when the power of the great western democracies seemed supreme throughout the world, she thought it wise to follow the lead

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of Washington and London and paid lip-service by pact and conference to the idealism of the post-war period. But the Old Adam of the Japanese remained unchanged. The West had originally taught them how to handle Chinese problems, by force and threats of force. If the western nations now chose to abdicate in China, it was not for Japan to follow suit but to seize her opportunities. These came with the political and economic storms that rocked Europe and America from 1930 on.

The Japanese would doubtless have been very glad to take China peacefully under their wing; and perhaps they might have done so had their victim remained the picturesque and somnolent old China of the nineteenth century. Or they might have pursued their aims by different methods, by conciliating the Chinese, abandoning all special rights and privileges, making common cause with China on a basis of equality, and posing as champions of the Yellow Race and their emancipation from the tutelage of Europe and America. This was in fact their role when in 1904 they fought Russia in Manchuria. And later on it seemed at times as though Japan's policy might move in that direction. Again, as long as China was weak and disunited, as she remained for the first twenty years of the Republic under the regional rule of corrupt and self-seeking generals and militarists, Japanese policy could reasonably hope to attain its end by playing off one Chinese faction against another and taking individual Chinese leaders under the Japanese wing. But the new China of the Kuomintang, united, however ineffectively, under the rule of a Nationalist Government, and encouraged by the post-war attitude of Europe and America, refused to be patronized or protected by Japan. A head-on collision between Chinese nationalism and Japanese policy became inevitable. The former became increasingly inflamed: the latter swung back more and more from conciliation to the extremities of force: until the armed forces of Japan were finally loosed upon their task of coercing the Chinese into friendship and obedience.

Behind Japanese aggression in China there lies the

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fundamental conflict between Russia and Japan which began in 1894, when Japan, struggling for a mainland foothold in Korea and Manchuria, met the vast weight of the old Russian Empire expanding south and eastwards from Siberia. In spite of all the kaleidoscopic changes in eastern Asia since 1894, the situation has remained unchanged in this respect. Imperial Russia as a menace to Japan was bad enough: Soviet Russia is to the Japanese even more menacing and dangerous. Manchuria has been wrested from the Russian jaws. But Mongolia remains under Soviet control, and Soviet influence is paramount in Chinese Turkistan. Japan must, in the eyes of her strategists, occupy North China and Inner Mongolia to outflank the red republic of the Outer Mongols, and sever communications between China and the Soviet. And Japanese policy can see no middle course between a China under Russian and one under Japanese protection. To the Japanese their real enemy on the mainland of Asia, was, is and always will be Russia.

The bogey, therefore, in the minds of all Japanese is a sovietized China under Russian influence. The Japanese claim to be the bulwark shielding China from the waves of bolshevism which, they maintain, threaten to engulf her from the north; and they ascribe to bolshevism all manifestations of anti-Japanese feeling amongst the Chinese, closing their eyes to what is so obvious to others: that anti-Japanese boycotts and agitation in China are the direct results of Japan's political aggression; that the Chinese as a nation are not likely to succumb to communism; and that if anything will drive them into the arms of Russia it will be foreign aggression which they cannot otherwise resist.

Japan's activities in China since 1931 have been in flagrant violation of her obligations under the Kellogg Pact and the Nine Power Treaty signed at Washington in 1922. Yet there are, if one would understand her point of view, other aspects of the situation which should not be overlooked. China also was, and is, bound by treaty obligations which she has sought to set aside; and, as the treaty port communities can testify,

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the methods of the Chinese Nationalists in seeking to rid themselves of the Unequal Treaties can be exceedingly exasperating. The causes of the conflict lie in the roots of history, in China's subjugation by the foreign Powers and in the failure of Japan to move with the times. China's struggle to emancipate herself from the thralldom of the treaty system meets nowadays with sympathy and understanding from Europe and America. But to the pre-war mentality of the Japanese, all such manifestations of Chinese nationalism are a challenge provoking a resort to arms. In Japanese eyes one treaty obligation is as binding as another, whether voluntarily undertaken or accepted under threats of force. What advantage is it otherwise for a nation to be strong enough to enforce its will? Japan's position in Manchuria had been built up by war and treaty; she claimed to be entitled, and she was determined, to treat Manchuria as an autonomous dependency of China under Japanese protection. (So had Russia and Great Britain treated Mongolia and Tibet.) Why should she allow the Chinese Nationalists to set aside her treaty rights, and the Kuomintang to unify Manchuria with the rest of China? Why, the Japanese contend, should they not expand at the expense of China, when Britain, Europe and America have long ago expanded at the expense of half the world?

China and Japan are oriental countries with reactions and philosophies different from those of western nations. To some extent the present tragic conflict is the natural consequence of past events, for which the Japanese, the Chinese and the leading western nations must all share the blame. The world can only hope that the leaders of Japan may yet be brought to realize that their China policy is out of date, that it is more than doubtful whether they can coerce the Chinese into being friends, and that the peace of the Far East can only be finally assured by recognizing the claims of the new China to be treated on a basis of equality with the other nations of the world.

CHAPTER THREE

BRITAIN AND AMERICA IN CHINA

The British merchant and the East India Company, supported by the armed forces of the British Government, were the pioneers of foreign trade with China, and Britain bore the brunt of the work, commercial, military and diplomatic, of opening the closed doors of the old Chinese Empire to foreign residence and trade. Two wars, in the eighteen-forties and eighteen-sixties of last century, were necessary before the Manchu Government of China would consent to enter into normal relations with the outside world. The story of the opening of China is well told in Michie's *Englishman in China* (Blackwood 1890); more fully in Morse's admirable history *The International Relations of the Chinese Empire* (Kelly and Walsh 1918); and is contained in all its details in the Legation archives at Peking, which used to include the old records and ledgers, faded and yellowing with age, of the East India Company's affairs in the days of the Canton trade.

Young China may charge Great Britain with being the chief architect of the old treaty system, which kept and still keeps the Chinese people in a state of semi-subjection to the major foreign Powers. But the old treaty system was a necessity at the time of its inception nearly one hundred years ago; because the Chinese and their rulers had not at that time grown up to a proper understanding of international relationships and the correct behaviour of one country to another. They considered themselves a race apart, the only true representatives of culture, and regarded all foreigners as barbarians from the outer fringes of the world. When, in modern times, the old treaty system had become a

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dangerous anomaly, the British Government took the lead amongst the Powers in declaring their readiness to readjust relations.

That there are blots on Britain's China record cannot be denied; the first and worst the opium trade. Opium was the foundation of the fortunes of the great firms engaged in trade with China. The Canton war of 1840 was fought to compel the Chinese to behave decently in their intercourse with British merchants and to open the southern ports to British trade. But a large element in that trade was the importation of Indian opium, which the Chinese Government were trying to suppress. The fact that there was much apparent insincerity about the Chinese attitude is beside the point. As much might be argued about the Americans and prohibition; and in any case a tendency to make-belief is one of the characteristics of the Chinese race. But in the end Britain wound up the opium trade with an honest determination that no other nation would have shown.

Great Britain was again at war with China in 1860; once more with the object of compelling the Chinese to behave decently and to open their doors to foreign intercourse and trade. The Chinese, under their Manchu rulers, still altogether unaccustomed to the strange ways and ambitions of the European, opposed force with artifice and treachery, and regrettable excesses, including the destruction of the Summer Palace at Peking, were the result.

Down to the 'nineties of last century Britain led the assault of Europe and America on the barriers of Chinese isolation. Thereafter the British Government were occupied, in conjunction with the United States, in fighting for the open door and the principle of equal opportunity in China. During the scramble for concessions, when China seemed on the verge of dissolution, Britain took part in the carving of the Chinese melon, seized Kowloon and Weihaiwei, and claimed as sphere of influence the Yangtze Valley. But the policy of the British Government in China at this time was in fact defensive rather than aggressive. They took part in the scramble for ports and spheres of influence only when the doctrine of

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the open door appeared inadequate to protect British interests against the actions of Russia, Germany and France.

In 1899 Britain supported the United States in seeking to apply the open door to a China carved into spheres of influence. American writers have claimed for the United States the credit of fathering the open door in China and of thus having saved the Chinese Empire from dismemberment. It is difficult to over-estimate the debt owed by the Chinese to the people and Government of the United States for their staunch championship of China's territorial and administrative integrity. But in fact the open door and the preservation of China's independence had always been the traditional policy of the British Government in China; from which they had deviated in 1898 to claim a sphere of influence only because they found themselves compelled in self-defence by the activities of other Powers to do so.

During the decade (1900 to 1911) between the Boxer rising and the revolution British policy in China was directed to securing and preserving for British interests their share in the trade and development of China. The British Legation, directed by a zealous and devoted British Minister, strove unremittingly and, in general, successfully to maintain for British finance, industry and trade a predominant position in Chinese loan business, railway construction, mining enterprise and commerce. Thus were secured for British interests loan contracts for the construction of a series of important railways, including the lines from Peking to Mukden, Shanghai to Nanking, Canton to Kowloon, Shanghai to Hangchow, Tientsin to Pukow (southern section), and Pukow to Sinyang (never constructed). This was a heavy bag to the Legation's credit. None of the competing nations, France, Russia, Germany, could boast of such success.

Moreover, unlike some of the other Powers, the British Government had no ulterior motives or political ambition in thus supporting, occasionally in forceful terms, the claims of British interests to develop the resources of the Chinese Empire. The British railway loans were contracts for the

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financing and construction of Chinese railways, and not 'concessions', under which railways on Chinese soil were owned and operated by the foreign interests or Government concerned. Yet the results for many years of all this British railway business were far from happy: foreign control of loan funds and railway revenues forced on an unwilling Chinese Government; Young China nursing resentment against the foreign financier and his engineers and agents; and, before long, aggrieved and disappointed British bondholders. Eventually, after years of controversy and irritation, the position in the Chinese railway world worked itself out to a more satisfactory conclusion. The bondholders found it wise to agree to a relaxation of control; the foreign engineers and chief accountants, placed on the railways under loan agreements as custodians of the foreign interests, either disappeared or came to be employed as servants of the Chinese Government; and the Chinese railway managements, placed on their mettle, made an honest attempt to reorganize the finances of the railways and to meet their obligations on their own account.

After the revolution the British Legation believed in and supported Yuan Shih-k'ai. To the British official mind the Canton Republicans, Sun Yat-sen and the Kuomintang spelled impracticable and perhaps dangerous ideals; Yuan was the only man at all likely to be able to restore law and order out of revolutionary chaos. To Young China this was further evidence of the reactionary tendencies of British policy in China. But, whether right or wrong, British support of Yuan Shih-k'ai had no other object but the promotion of unity and stability of government in China; for the simple and convincing reason that this was best for British trade.

With the outbreak of the World War, when the Japanese military party unfolded their aggressive plans in China, the British interest in Yuan Shih-k'ai became coloured by opposition to the activities and ambitions of Japan. The British Minister, so people said, saw behind every bush a Japanese. The history of the next twenty years unfortunately justified his fears.

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The death of Yuan Shih-k'ai in 1916 ushered in the era of disorder and military chaos. China sank into a welter of banditry and civil wars. The British Legation strove manfully, but generally without success, to preserve the framework of the old treaties, loan contracts and arrangements of pre-revolution days. Protests against treaty infractions, loan defaults, 'illegal taxation', and a host of other irregularities, rained on the Foreign Office of a Chinese Government quite incapable of setting anything to rights.

Then there appeared on the horizon to the south a new portent, the rise of Chinese nationalism and the Kuomintang. At first it passed unnoticed. British diplomacy, clinging tenaciously to Peking and its atmosphere of olden days, paid scant attention to what was happening in troublesome Canton. But a further new and still more disturbing factor now appeared upon the scene. The Kuomintang allied itself with the new power in Russia, the Bolsheviks. By 1925 this latest development was clear for all to see. The Communist International at Moscow was then at the height of its activity in seeking to propagate red revolution through the world. China, still subjected to the servitudes of the Unequal Treaties, was feeling sore, aggrieved and disappointed over the treatment accorded to her by the Powers at Versailles and during the years immediately following the war; and the Kuomintang and Sun Yat-sen, regarded as outcasts by the foreign Governments and their representatives and communities in China, were struggling to maintain themselves against a host of enemies. The moment was propitious for the Soviet to offer friendship and assistance.

The young intelligentsia of China avidly absorbed the new and stimulating doctrines of the Russians, who, for reasons of their own, singled out Great Britain as the main object of assault. Indeed, unless all the Treaty Powers were to be assailed together, Great Britain was the obvious target for attack. Germany, defeated in the war, had lost her treaty rights and no longer ranked in Chinese eyes amongst the imperialistic nations of the West; France was not sufficiently

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prominent in China; Italy and the other European Powers could be ignored; America had always posed and been accepted as China's sympathetic, if patronizing, friend; and the Japanese were still at this time pursuing a policy of seeking to ingratiate themselves with the warring Chinese factions. Britain appeared as the chief prop of the Unequal Treaties; and if the British position could be undermined, the whole treaty structure would, the Chinese Nationalists believed, immediately collapse. Moreover Britain was in those days the chief antagonist of bolshevism in Europe. So the Russians and their Chinese allies acted naturally enough in directing the stream of artificially created Chinese hate against the Englishman in China.

Ever since the end of the Great War the vocal element amongst the Chinese people had been clamouring for the abolition of the Unequal Treaties. The foreign Powers, professing to lend a sympathetic ear, replied that China first must learn the rule of law. As it was then the heyday of the era of banditry and civil war, it was easy to justify this attitude. But the new China clamoured all the louder, and now they found, it seemed, a powerful ally in the Soviet. Thus the movement against the old treaties became linked with communistic and revolutionary agitation.

Great Britain, singled out to bear the brunt of the attack, was stigmatized as the arch-imperialist amongst the Western Powers. Not only British trade, but Englishmen all over South and Central China were boycotted in their private lives. Essential supplies and services were refused, servants left their masters, British shipping on the Yangtze lost passengers and cargo, and British imports, labelled enemy goods, were looted and destroyed. The climax was reached in the overrunning, in January 1927, of the British concession at Hankow.

The worst of the anti-British agitation lasted for a year or two. The temper of the British treaty port communities, subjected to this stream of hate, humiliations and indignities, rose to dangerous heights. The British Navy still policed the coasts and waterways of China, exercising an admirable

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restraint in the face of constant provocation. British residents in the treaty ports, merchants, journalists and lawyers, pressed loudly for retaliatory action and the use of force to bring China to her senses. Catchwords of olden days were resurrected; 'The Chinese yield nothing to reason and everything to force'. The passive attitude of the British Government was held up to obloquy and ridicule and their policy of 'patient conciliation' became a byword in the treaty ports and club bar at Shanghai.

Wiser counsels prevailed, however, in the London Foreign Office, where it was realized that the main object of the alien agitators in China was to provoke the British authorities to a resort to force and thus bring about a state of war between Britain and the Kuomintang. Moreover in Europe the spirit of Locarno and hopes of a general post-war appeasement still prevailed. The British Government, while showing their readiness, when and where possible, to defend British interests against direct attack, resolutely declined to authorize retaliation or the deliberate chastisement of the Chinese. Further, when things were at their worst, towards the end of 1926, the British Government, seeing the realities of the situation through the fog of mutual recrimination, issued a declaration announcing to the various factions struggling for mastery in China their readiness to negotiate on treaty revision as soon as the Chinese themselves had constituted a government with which to deal. The attitude of the British Government towards China at this time of crisis was indeed a triumph of enlightened common sense.

In due course the much criticized policy of patient conciliation bore fruit. In the spring of 1927 Chiang Kai-shek and the right wing leaders of the Kuomintang themselves turned against the communists and Russians; and before the year was out it was more dangerous to be a Russian or a red in South and Central China than it had ever been to be the most die-hard of Imperialists.

In 1928 Great Britain took the lead in recognizing the new Nationalist Government of the Kuomintang and according to them tariff autonomy, the first big step towards the

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revision of the Unequal Treaties. (Actually America got in ahead with the first Tariff Autonomy Agreement, but the lead belonged indisputably to Britain.)

With the expulsion of the red influence and a return to sanity things looked more promising in China. But the Kuomintang had still a long and weary road to travel; to subjugate the northern war-lords and unify the country; and to justify themselves and the consummation of the revolution by securing the abolition of the Unequal Treaties and their key-stone, the extritorial rights of Treaty Power foreigners in China.

Again it was Britain, followed by America, who took the lead. In spite of the continuance of civil war, now in the form of campaigns for the conquest of China by the Kuomintang, the British Government in 1930 and 1931 were engaged in the face of strong opposition from vested British interests in China, in negotiating with the Nationalist Government for the abolition of extritoriality. Then, in the autumn of 1931, the Japanese stroke in Manchuria ushered in the conflict with Japan, which brought all further attempts at treaty revision to an end.

The record of Britain's dealings with China over a period of just one hundred years, punctuated though it may be with wars, conflicts and misunderstandings, is on the whole a good one. Britain has dealt fairly and justly by China; and the Chinese historian of the future may well write down Great Britain as China's best and oldest friend. In all its ups-and-downs British policy has always first and last aimed at the furtherance of British trade; and to this end sought always to promote a prosperous, united and independent China.

Yet Britain has not in the past been popular in China; and Chinese of the educated classes, many of whom have been trained in American colleges and schools, tend to be prejudiced against the British and their activities in China. History can only too easily be stuffed with evidence of British imperialism in Asia. Chinese resentment, suspicion and hostility have in the past been roused by British policy in

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Tibet and on the Burma-Yunnan frontier (directed, though the Chinese would not believe it, solely to the protection of the Indian Empire); and by the attitude of the British Government, before their change of heart in 1926, in seeking to uphold against the rising wave of Chinese Nationalism the complicated fabric of British treaty rights and vested interests. Moreover the personal contacts between the British treaty port communities and the educated youth of China were seldom satisfactory. The average Englishman of Shanghai and the treaty ports conveyed to his Chinese fellow citizens an impression of aloof complacency, and an irritating assumption of racial superiority. Very likely he felt nothing of the kind, but could not help the atmosphere he carried with him. Social intercourse on a footing of equality used scarcely to exist. Also responsible for much of the British unpopularity in China was the old die-hard 'China Hand', usually a journalist or lawyer, with his interests rooted in the extraterritorial régime, who had developed an anti-Chinese, treaty port complex and regarded all manifestations of the new Nationalist China with soured and jaundiced eye.

That the Chinese have at times had reason to be irritated at and impatient with British policy cannot be denied. But the British Government have realized the need of moving with the times; and insist only that the changes as they affect British interests should be gradual and evolutionary. On both sides old prejudices are disappearing amongst the younger generation. And British imperialism, such as it has been, pales into insignificance beside the recent activities of Japan in China.

The turning point in the relations between Great Britain and the new Nationalist China was the issue, in December 1926, of the memorandum defining Britain's future policy in China. In spite of the general chaos, civil war and spate of agitation, those responsible for the control of British policy in China recognized in the fevered nationalism of the Kuomintang a new leaven of regeneration for the decaying and disintegrating body politic of China. Local British interests at the treaty ports, too close to, and too much involved in, the

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maelstrom of events in China, failed altogether to grasp the true significance of what was happening. The new policy was initiated in the face of a storm of local criticism, reaching at times the levels of vituperation; and it was continued in the face of much discouragement and many obstacles. Gradually the Chinese came to recognize its sincerity and wider implications. From 1925 to 1927 China and Britain were often on the verge of war; from 1928 relations started to improve; within a year or two they were relatively good; and since then they have become as close and intimate as they have ever been before.

Until the last few years British trade and British interests in China predominated vastly over those of other Powers. At Shanghai and in the treaty ports the British consulates and British firms naturally assumed the leadership in the life and activities, social, commercial, administrative and diplomatic, of the foreign treaty port communities. Of late years Japan and the United States have caught up with, and even headed Britain in the scope of their commercial activities in China. In part this is due to the disappearance of the world-wide Victorian supremacy of British trade and industry; in part to other causes. The huge British trade in cotton piece-goods is vanishing before the competition of Chinese, Japanese and Indian mills. The British are nowadays content to share profits, burdens and responsibilities where there was formerly no question of challenging their lead. And it is possible to distinguish the appearance of a tendency for China's foreign trade to flow (as happened in the case of the commerce of Japan) in channels more direct; foreshadowing the eventual elimination of the foreign middlemen, who have hitherto been mainly British and who, with their local vested interests in trade and real estate, constitute the backbone of the treaty port communities. Yet the British stake in China and the open door remains a big one. Of the two ports which monopolize the bulk of China's foreign trade, Shanghai is an international city under British leadership and Hongkong a British colony. In Shanghai alone the

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British investment in land, buildings, factories and docks totals an enormous sum. The Chinese Customs, Postal, Salt and Railway Services have been largely built up by British industry, integrity and brains. British finance still owns the major foreign stake in China's railways. And British shipping still carries the bulk of the traffic in passengers and goods up and down the coasts and inland waterways of China. It is this protuberance of British interests in China's body politic which has been responsible for the resulting friction when the affairs of China furnish headlines in *The Times*. Formerly the friction was mainly manifest with Russia; then, as the Russian challenge died, with the awakening nationalism of China; and now the rubs are with Japan.

2

The record of the United States in China is one of non-intervention and benevolence. Americans can boast that they alone amongst the Great Powers refrained from open aggression against the Chinese Empire. The Government of the United States holds no concessions or leased territories on Chinese soil and took no part in the pre-war scramble for railway rights and spheres of interest in China.

In the old days the American stake in China was concerned mainly with missionary enterprise, education, hospitals and general philanthropy. Vast sums of money were poured into China from America for missionary work. Huge schools, hospitals and universities protrude themselves all over China as monuments to American benevolence. The missionaries themselves, representatives of American culture and philanthropy drawn from all ranks of life, included men and women of the highest character and most scholarly attainments, as well as others less well qualified for the almost superhuman task of leading the Chinese from their ancient philosophies

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and superstitions into the paths of western Christianity. If there was sometimes lacking on the Chinese side an adequate respect for their teachers from America, there was no question but that the people of the United States had established in Chinese eyes their reputation as disinterested friends.

The commercial activities of America in pre-revolutionary China were relatively small. The United States of those days were too self-sufficient to devote much of the national energy to the pushing of American trade in China. Lack of trade resulted in a lack of political interest and encouraged an attitude of benevolent aloofness. But the acquisition of the Philippine Islands in 1898 gave to the United States a more immediate stake in Far Eastern international developments. America had always championed the doctrine of equal commercial opportunity in China against the monopolistic tendencies of other countries. In 1899, when the battle of concessions was at its height, the American Government, with a view to checking the dismemberment of China, invited the interested Powers to join in upholding in their respective spheres of interest the principles of non-discriminatory treatment and the open door. The Government of the United States, supported by Great Britain, have since consistently maintained this policy, which was endorsed and reaffirmed in more far-reaching terms at Washington in 1922. The other interested Powers in 1899 accepted the open-door doctrine without enthusiasm. Russia, Germany and France were in those days the chief menace to China's political and administrative integrity. Thirty years later war and revolution had produced a change of scene; China was no longer dominated by the nations of continental Europe; and Britain and America were left to fight the battle of the open door against Japan.

During the Boxer rising the armed forces of America took part with the other allied troops in the work of punishment and vengeance. But in the subsequent negotiations American influence was exercised on the side of moderation and restraint. Had it not been for Britain and America, the

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terms imposed on China after 1900 might have been even more severe.

In the years after 1900 the American Legation, directed by a famous scholar, traveller and friend of China, continued to pursue a policy of detachment and benevolence, standing aside while the other nations carried on their scramble for Chinese loans, railway contracts, mining concessions and commercial privileges. But the American interest in China was increasing. The activities of the American missionary institutions grew wider and deeper year by year. And American official representatives and missionary agents became increasingly active, especially in Manchuria, in opposing the penetration of Russia and Japan.

In 1909 under a new administration American policy in the Far East became more active. It seemed that Wall Street and the State Department considered that the time had come for the United States to play a more prominent part in the affairs of China. They put forward a claim for American interests to participate with Britain and the other Powers in the financing of Chinese railway business; in order that American finance might play its part in the development of China; and (to satisfy American idealism) to check by American participation loan arrangements which might impair the open door or the fiscal integrity of China. An American financial group entered into negotiations with the Chinese Government for the financing of a new trunk railway through Manchuria; and the United States Government launched their still-born scheme for the internationalization of the Manchurian railways, a proposal which ignored the hard realities of time and place, and of which the sole result was to consolidate the opposition of Japan and Russia to American or other outside interference in Manchuria. In 1911 the American financial group, rebuffed in Manchuria, were permitted by the State Department to take up a share in the Four Power Hukwang Railway Loan, the only American venture, and that unfortunately an unsuccessful one, in Chinese railway business.

American policy as the disinterested friend and protector

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of China was again in evidence during and after the revolution of 1911, when the United States welcomed the young Republic of China as a new and promising recruit to the ranks of democratic government. Many of the leaders of the new Chinese Republic were returned students from America, who looked to the United States as their spiritual home. The American Government were the first to recognize the new Republic, while the other Powers were bargaining with Yuan Shih-k'ai for assurances that foreign treaty rights and vested interests would be respected. The attitude of the United States became increasingly idealistic and protective. In 1913 President Wilson, reversing the 'dollar diplomacy' of his predecessor, withdrew American participation in the post-revolution Reorganization Loan, holding that its conditions impaired China's administrative integrity and conflicted with the ideals of American policy in China.

During the World War the United States watched with concern the increasing aggression of Japan in China: and the State Department showed their sympathy with the hard-pressed Chinese Government by recording their refusal to recognize the agreements resulting from the Twenty-One Demands. After the war American opinion championed the Chinese cause in the controversies arising from the unjust treatment accorded to China in the Treaty of Versailles: and the benevolent policy of the United States reached its climax at the Washington Conference in 1922, when the American Government took the lead in securing the conclusion of the Nine Power Treaty guaranteeing the open door and the independence and territorial and administrative integrity of China.

In the early post-war years the American stake and interest in China grew apace. The volume of American missionary enterprise steadily increased. American trade with China grew by leaps and bounds. American exploring expeditions, popular and scientific, discovered, as the travellers and savants of Europe had done many years before, that China was an eldorado for western exploration and research. In Peking,

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still the capital of China and the most interesting city of the East, the American Legation, American visitors and the guard of American marines played an increasingly leading role in the pleasant, cathedral-close existence of the Diplomatic Body and their Chinese friends.

But in the years that followed there was a noticeable cooling off in the warmth of American feeling for China. The senseless civil wars between the northern generals, the increase of banditry and general lawlessness, and the apparent inability of the Chinese people to establish a reasonable government, began more and more to alienate the sympathies of the American Government and the American community in China. Then came the Russian interlude, when, from 1925 to 1927, waves of anti-foreign revolution surged over the face of China, culminating in the Nanking incident involving direct attacks on foreign life and property. Even American missionary opinion, hitherto so warmly favourable to Chinese nationalism, was shaken by these events, and a group of American missionaries, who had been accustomed to support the Chinese agitation for the revision of the treaties, publicly recanted and recorded their view that they owed their lives to extraterritoriality and the warships of the foreign Powers.

After the expulsion of the Communists and Russians, the return to sanity and the establishment in 1928 of the National Government of the Kuomintang, there was a general return of the American missionaries who had been evacuated from the interior during the revolutionary storm. Relations between the Chinese people and the American missionary world were re-established, but with a measure of doubt and disillusion on both sides. The new China of the Kuomintang was not the fresh-faced young China of the 1911 revolution and the first republic; and the Chinese student of the later nineteen-twenties, inoculated more or less deeply with the virus of the Russian revolution, was less amenable and responsive to missionary effort and missionary uplift than his prototype of fifteen years before.

The years 1927 to 1931 witnessed the well-meant effort

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of the leading foreign Powers to get on with the long overdue work of revising the Unequal Treaties. Great Britain negotiated the return to China of the leased territory of Weihaiwei and retroceded the majority of the British concessions at the treaty ports. The Chinese courts functioning at Shanghai were handed back to Chinese Government control. Tariff autonomy treaties were concluded. And negotiations were entered on for the abolition of extraterritoriality. In all these matters Great Britain took the lead, while the American Government, showing a marked lack of initiative and enterprise, followed on behind. Had the lead been America's the pace might have been a quicker one. But, playing a secondary role, the Government of the United States and their representatives in China were content to shuffle along in the footsteps of the British Government. In spite of the ultra-liberal traditions of American policy in China, it was found, when put to the test, to suffer from a rigidity (due, it was said, to constitutional difficulties) which did not handicap the more elastic policy of Britain.

The situation in China was by now working up to the inevitable denouement with Japan. The Great War had left America seemingly the strongest Power and arbiter of half the world; and nowhere was this impression more definitely underlined than in the Farther East. Young China had grown up to look upon the United States as their ally, patron and political protector. Informed opinion at this time would generally have held that the armed aggression of a third Power in China would necessarily provoke the intervention of America; and, more particularly, that a Japanese invasion of Manchuria or other violation of the territorial integrity of China would precipitate a rupture with the United States.

But (as in 1915) the Japanese chose their time well when they struck in Manchuria in the autumn of 1931. The United States were economically down-and-out, in the throes of the greatest commercial and financial depression in their history. And the diplomatic flutter which ensued produced from Washington nothing more formidable than a note,

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informing the Governments of China and Japan (as in 1915) that the American Government did not intend to recognize any agreement or situation which might impair the treaty rights of the United States, the open door, or the independence or integrity of China.

These were admirable sentiments; and the American Secretary of State professed to feel aggrieved that Britain failed to make a similar *démarche*.¹ But the State Department's note, like the equally ineffective intervention of the League of Nations, passed into the limbo of the archives of diplomacy and left the situation in Manchuria just as it was before. And subsequently, as the aggression of Japan in China broadened and increased, the Far Eastern policy of the United States became increasingly passive and detached.

The behaviour of the American Government in failing to come to the assistance of China when she was attacked by the armed forces of Japan was no doubt a logical and correct interpretation of the real feelings of the bulk of the population of the United States, who have an innate and common-sense aversion to embroiling themselves in foreign countries. And, setting sentiment and emotion on one side, it was in the long run for the Chinese, and not America, to save China from Japan. The Chinese had become too much accustomed to be rescued from their difficulties by foreign intervention, whether inspired by benevolent or other motives. But it was unfortunate that the United States had by their attitude created an impression of being more deeply and directly interested than they really were. In China the politically-minded classes were acutely 'disappointed and disillusioned over the behaviour of America; and in the Far East the stock of the United States slumped to its lowest point.

¹ Reference *The Far Eastern Crisis*, by Mr. Stimson, New York, 1936.

CHAPTER FOUR

RUSSIA AND FRANCE IN CHINA

From the early days of foreign intercourse with China, down to the time of the Great War, Russia, of all the imperialistic nations, was the chief menace to China's territorial and administrative integrity. Russian pressure along the northern frontiers of China and her dominions had begun with the expansion into Central and Eastern Asia of the Empire of the Tzars, and continued through the nineteenth and into the twentieth centuries, until the temporary eclipse through war and revolution of the Russian power.

In the latter half of the nineteenth century the Russians were busy penetrating Chinese Central Asia. Russian political agents in the guise of consuls, supported by cossack escorts and military guards, were established in all the chief centres of Chinese Turkistan, and well-armed Russian scientific expeditions penetrated the Pamir and Tibetan table-lands. This was the era of Anglo-Russian rivalry in Central Asia. The Government of India held their own and kept the Russians at arms length in Tibet. But in Chinese Turkistan, Russian influence was paramount.

The completion of the Trans-Siberian Railway exposed the decaying Chinese Empire to more direct attack. In the closing years of the nineteenth century Russian imperialism was threatening to devour the Northern Provinces. In 1898, at the time of the battle of concessions, the shadow of the Russian Bear overhung Manchuria, Korea, Peking and all North China. Memoirs and official documents have since exposed the plans and ambitions of the Russian Government, resembling in scope the modern programme

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of Japan. Russia seized Port Arthur and the Liaotung peninsula and extorted by bribery and threats the agreements for the construction of the Chinese Eastern Railway traversing Manchuria. The Russo-Chinese Bank, which later on became the Russo-Asiatic Bank, was the agency through which, assisted by the high finance of France, Russia enmeshed the feeble Chinese Government. The Boxer rising and its aftermath afforded further opportunity and left Russia in military occupation of Manchuria. Only Japan, and the open door policies of Britain and America, stood in the way of a Russian domination of Manchuria, Korea and the Northern Provinces of China. But Russian imperialism was about to meet its first rebuff. Japan realized the danger and threw into the stake her future as a nation. She called upon Russia to evacuate Manchuria and recognize the Japanese position in Korea; and swiftly had recourse to war when Russia hesitated in reply.

The war of 1904 between Russia and Japan was the biggest thing in wars since 1870. It ended with both sides exhausted, but Japan had won. The Russians, ejected from South Manchuria, remained entrenched in North Manchuria. The Chinese, not realizing what was to come, were for the time being not dissatisfied with these developments. The Russians had been driven back, far from the Wall, and Russian pressure on Peking had been relieved. But, in fact, the three Manchurian provinces of the Chinese Empire had but exchanged one for two foreign overlords. In North Manchuria the Russians, with their Chinese Eastern Railway, their railway settlements and railway guards, timber concessions and other special rights and privileges, were in control. While in the southern half the Japanese were similarly paramount, owning and controlling the South Manchurian Railway, with its adjuncts, guards, railway settlements, timber areas and mines.

Checked in Manchuria, the Russians were more successful in Mongolia, where they had been playing the same hand as in Chinese Turkistan. Their influence was already strong in North Mongolia when, in 1912, the Chinese revolution

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provoked the Mongol princes into claiming independence. The Russians seized the opportunity to compel the new Republican Government of China to recognize the autonomy of Outer Mongolia, which passed in this way under Russian influence.

The Chinese have learned to count on wars and revolutions as the most hopeful solution of their difficulties with foreign Powers. The World War and the Russian revolution did in fact relieve them of a load of foreign pressure. The Russian Empire seemed to fall in pieces. Revolutionary Moscow publicly renounced all of Russia's imperialistic acquisitions and special rights and privileges in China. Turkistan, Mongolia and North Manchuria seemed to fall back like ripened plums into the Chinese lap.

Yet when the Bolsheviks had got into their stride a few years later, things did not look so rosy for the Chinese Government. An overflow into Mongolia of Russian Whites and Reds resulted in the ejection of the Chinese and the establishment of a Soviet Republic of Mongolia. Russian influence was re-established in Chinese Turkistan. And in North Manchuria the Russians came gradually to re-assert themselves until they finally resumed control over the Chinese Eastern Railway.

For some years after the Russian revolution there was no official contact between China and the new Soviet régime. In 1924, however, the Moscow Government resumed diplomatic relations with the derelict Chinese Government still, at that time, located in Peking. The Soviet Government caused a flutter in the diplomatic dovecots of the major Powers by re-opening the old Russian Legation as an Embassy; so that the first Russian Ambassador automatically became Dean of the Diplomatic Body, with ambassadorial precedence over the mere Ministers of Britain, Japan, the United States, France, Germany and Italy; a situation which endured until, a few years later, all the major Powers converted their Legations into Embassies.

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The resumption of normal relations with the Chinese Government and people was at this time of particular importance to the Soviet authorities, who had developed a new technique for Russian expansion on the Asiatic continent by the spread of communistic revolution into neighbouring lands. This technique had been successfully practised in Outer Mongolia, which had again become a protectorate of Russia in the guise of a Mongolian Soviet State. China offered a promising field for similar treatment. Organized government had largely disappeared in a welter of banditry and civil war; and the new Chinese nationalism which protruded itself through these disorders was clamouring and agitating against the Unequal Treaties, foreign imperialism and all the old grievances arising from the special rights and privileges extorted by foreign Governments from China in the past.

Having secured a footing in the diplomatic *milieu* of Peking, the Russians set simultaneously to work by offering their services to the leaders of the Kuomintang, who had established at Canton a rival southern Government. Sun Yat-sen accepted the proffered assistance of the Bolsheviks; and the Russian plans, put into operation about 1924, began almost immediately to produce results. The Kuomintang were taught by the Russians how to adapt to Chinese conditions the methods of the Communistic revolution. Inspired by Russian doctrines and advised by Russian agents, the Chinese Nationalists rode victoriously over their internal enemies, the war-lords of North China, and overran the preserves of foreign-treaty rights, of which they chose to make Great Britain emblem and figurehead. The Russian plan was to communize China by capturing the Kuomintang. A bolshevized Kuomintang would conquer China, expel all non-Russian foreign influence, and convert the Chinese Republic into a Communistic state, affiliated, like Mongolia, to the Russian Soviet.

The Russians overreached themselves in China; but, before they did so, they scored point after point. Karakhan, the Armenian, working in Peking as Soviet Ambassador, and Borodin, the unofficial but masterful Soviet agent in Canton,

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had all the Kuomintang generals and politicians dancing to their tunes. Had it not been for the restraint of British policy, the Russians might well have met with a greater measure of success. But they were confronted with one major obstacle, the Chinese racial character, which would in any case have wrecked their plans. The Chinese have too much individualism and common sense to make, in the long run, satisfactory Communists.

The high-water mark of the Russian effort in China was reached in the early part of 1927. The more far-seeing amongst the Chinese leaders had probably long realized what was in the wind. They used the Russians as the Russians were using them. And when they thought the time was ripe, or because they could no longer endure this outside interference, they turned against the Communists and Russians and hunted them from the country and the Kuomintang.

The end of the Russian effort at bolshevizing China was accelerated by Chang Tso-lin's raid on the Soviet Embassy in Peking in the spring of 1927. The Embassy being situated in the heart of the Legation quarter, the sacred reservation of the Powers still parties to the Boxer Protocol, in which the Chinese Government exercised no authority, the permission of the interested foreign representatives had first to be obtained. The position bristled with diplomatic technicalities and international perplexities: and the idea of Chinese police raiding the Legation of a foreign Power was enough to make the old-time Peking Diplomatic Body turn in its corporate grave. But the Bolshevik Russia of those days was regarded as the public enemy; and permission was duly granted for the Chinese police to enter and search, in accordance with their warrant, a group of buildings next to the Russian Embassy. With diplomatic zeal the Chinese raiding party exceeded their authority and broke into the adjoining building which housed the offices of the Soviet Military Attaché, where they found the occupants busy consigning their archives to the flames. But the Chinese are a practical people, not to be deterred by so simple a manoeuvre, and Chinese police were

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already on the roof pouring water down the diplomatic chimneys. The result of the raid was the seizure of a mass of documents, which, charred by fire though many of them were, revealed to the world the close association between the Russian Embassy, the Chinese Communists and many of the leaders of the Kuomintang.

Thus ended in 1927 the Russian attempt to bolshevize the Chinese State. Since then the Government of the U.S.S.R. have played an increasingly passive and inactive role in China. For a time they afforded secret and half-hearted support to the Chinese Communist armies, flotsam and jetsam from the early Kuomintang campaigns, which for years maintained themselves in the mountains as rebels against the Nanking Government. Later on even these underground activities decreased, in line with the lessening of Russian activities in other foreign countries and the drift of Russian foreign policy back into the arena of normal international affairs.

In 1929 Chinese nationalism clashed with the Russians in North Manchuria. The results were curious and, to the Chinese at any rate, quite unexpected. The National Government at Nanking were riding forward on the wave of treaty revision and the recovery of sovereign rights, and the Chinese administration in Manchuria, anxious to show their zeal in the new Nationalist cause, thought the time ripe to eject the Russians from the Chinese Eastern Railway management.

After the Russian revolution the Chinese Eastern Railway, the chief instrument of Russian penetration in Manchuria, seemed likely to revert to China, if it did not fall under Japanese, or international, control. But in 1924 the Soviet Government cajoled Chang Tso-lin into concluding an agreement by which the railway passed under joint Russo-Chinese management. Since then the Russians had succeeded in widening and strengthening their influence until the railway and its institutions became again organs of the Moscow Government. Deterred from challenging the Japanese in South Manchuria

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by Japan's obvious military strength and known determination to uphold her treaty rights, the Chinese thought it safe enough to attack the position of the Russians in North Manchuria, hoping that the Soviet would yield, as Britain and America were yielding, to the forceful tactics of the new militant nationalism of China; the more so as the Soviet Government proclaimed themselves the champions of the oppressed nations of the Orient.

In the summer of 1929 the Chinese authorities at Harbin attempted by a sudden *coup* to unseat the Russian railway management. Moscow's reaction was decisive and abrupt. The Soviet Government protested that China had apparently mistaken their friendly policy for one of weakness, invited the Chinese to negotiate and gave them three days within which to give a satisfactory reply. The negotiations which ensued having failed to produce results, Russian forces crossed the frontier, opened hostilities and occupied the railway line. The Chinese troops fled in disorder pursued by Russian bombing aeroplanes, and the Chinese authorities sued hastily for peace. The *status quo ante* having been restored, the Russians were satisfied and withdrew their troops.

The shadows of events to come were cast by this conflict with the Soviet in North Manchuria. The American Government approached Britain, France, Japan and Italy suggesting mediation and proposing that the attention of both parties should be drawn to their obligations arising from the Kellogg Pact, a proposal which was rejected by Japan on the grounds that such intervention would be likely to be resented by both sides. Later on the Chinese Government in turn appealed to the signatories of the Kellogg Pact, claiming that Russia had violated its provisions and requesting that appropriate measures might be taken to restrain the Soviet. But in the meantime, the latter had taken their own measures to secure their end.

But the final denouement of the Russian venture in Manchuria was not long delayed. The Bolsheviks had shown that they would not allow themselves to be ejected by the Chinese

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Nationalists. Yet when the Japanese, having conquered South Manchuria, advanced northwards into the Russian zone, the Soviet Government threw in their hand, sold the Chinese Eastern Railway to Japanese-protected Manchukuo, and withdrew, bag and baggage, from Manchuria.

The Russians thus liquidated after thirty years their holdings in Manchuria, leaving the field free and open to Japan. They were, however, left masters of Mongolia, and their influence was unimpaired in Chinese Turkistan. It was but the end of an act in the drama of the long-drawn conflict between Russia and Japan.

2

France shared with Great Britain the chief burden of the opening of China to foreign residence and trade. Her naval and military forces fought as allies with those of Britain in the early China wars. The first treaties of Britain and France with China were drawn up on more or less identic lines. Later on the policies of the two countries tended to diverge : Britain being concerned solely with the interests of trade, while French interests were more political.

Formerly one of the major French interests in China concerned the affairs of the Catholic establishments. The Catholic Church carried on its missionary activities in China under the protection of the diplomatic agents and armed forces of the French Republic ; and assaults upon Catholic priests provoked from the French Government punitive measures and demands for compensation. Catholic dignitaries were invested with official rank, the bishops taking precedence with Chinese Viceroy's and the priests with the provincial prefects, and were empowered to protect their Chinese flocks and negotiate directly with the Chinese territorial authorities. Bishops received salutes of guns from French men-of-war. In 1899 the Chinese Government, under French pressure, had formally ratified by imperial

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rescript the official status of the Catholic priests in China. Ten years later, in 1908, when the movement for the recovery of sovereign rights had just begun, they plucked up courage to rescind the edict; and thereafter the position of Catholic missionaries in China reverted gradually to normal. Nowadays the French Government no longer claim to protect the Catholic Church in China as a whole and confine their protection to priests and missions of French nationality, a development which was accentuated by the appointment in 1922 of a Papal Delegate accredited to China by the Vatican.

During the era of foreign aggression and the battle of concessions, before 1900, French diplomacy and high finance in China worked hand in hand with Russia. The French bag during these years included the customary 'coaling station' and leased territory, for which purpose they selected the bay of Kwangchow-wan in Canton province; a 'concession' railway into Yunnan, and South-West China as a sphere of influence; participation, sometimes obscure, in other railway, mining and financial business, including the Peking-Hankow and Shansi Railways and the Chinese Eastern Railway in Manchuria; and assurances that the Chinese Postal Service when established would be under French direction.

In spite of these vested interests and acquisitions, French influence in China, never very great, has tended to decrease, especially since the defeat of Russia by Japan in 1904. Kwangchow-wan remains an unfrequented bay on the South China coast. The Peking-Hankow Railway, built and formerly operated by French engineers, was in due course redeemed by China and freed from French control; and the French interest, whatever its precise nature may have been, in the Chinese Eastern Railway was submerged in the various misfortunes which befell the Russo-Asiatic Bank. The postal assurances were duly carried out by China when, in 1911, the Chinese Post Office, hitherto a branch department of the Customs, was established as a separate administration under the supervision of a French Director-General. But in due course Nationalist China put an end to these arrange-

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ments; and, when the French Director-General resigned in 1929, the Nanking Government, ignoring the protests of the French Legation, refrained from appointing another Frenchman in his place. Only in Yunnan have the French maintained their railway rights and paramount position.

The development of the French colonial empire in Indo-China led to a southern orientation of French political interest in China. France claimed a special position in the South China provinces, Kwangtung, Kwangsi and Yunnan, marching with Indo-China. She sought to extend her sphere of influence through Yunnan into western Szechuan, where the activities of French Consuls, political agents, explorers and scientific missions were regarded with suspicion and disfavour by the British Government, who claimed the region contiguous to the Burma frontier, Tibet and the valley of the Yangtze as the British sphere. The French railway from Haiphong, on the coast of Indo-China, to Yunnanfu, the capital of Yunnan province, was completed in the face of tremendous engineering difficulties in the year 1910. It was (and still is) owned and operated by the French, who were thus in a similar position in Yunnan to that of the Germans in Shantung or the Japanese or Russians in South and North Manchuria. But the French used their position differently; refraining from immediate political and territorial aggrandizement; but rather awaiting the opportunity, should it ever be afforded them, of turning the position to account. The French have thus been marking time in Yunnan, which has been spared the fate of the Manchurian provinces.

French policy in China tends to be guided to a greater degree than that of Britain and America by considerations of immediate self-interest. Sentiment and high ideals play little part in guiding the actions of the French Government in dealing with the affairs of China. Faced with any particular question, 'case' or problem, French diplomacy will deal with the matter strictly on the basis of what material advantage can be scored thereby. There is a traditional rule in British diplomacy that a question should be handled

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on its merits, without the introduction of irrelevant consideration or bargaining with outside factors. No such scruples handicap the French; an attitude that simplifies, if it at times embarrasses, the transaction of diplomatic business.

The unfortunate 'gold franc' controversy in the years after the war was an instance of France's logical but rather selfish and cold-blooded diplomacy in China. In 1913 there had appeared upon the Chinese scene a new French bank, the Banque Industrielle de Chine, representing a combination of French, Chinese and Belgian interests.¹ The career of the new bank, in competition with its old-established foreign rivals, was meteoric in its rise and fall. At first highly successful, the Banque Industrielle got into difficulties in 1921 and closed its doors. It was about this time that Britain and America started a fashion for the other Treaty Powers by offering to 'remit' their shares of the indemnity imposed on China for the Boxer outrages of 1900; declaring their intention to devote the balance of their blood money of twenty years before to cultural, educational and other purposes mutually beneficial to China and themselves. The French Government decided that their share could best be used for the rehabilitation of the Banque Industrielle; a decision which was greeted with indignant protests from cultural and educational interests in China; but which was actually of material advantage, not only to the foreign interests concerned, but also to the many Chinese depositors and clients of the broken bank.

Then there arose the 'gold franc' controversy. The indemnity was originally a debt in gold, to be paid by the Chinese Government in what were then the gold currencies of each foreign Power concerned. The Chinese now proposed to pay the French share of the indemnity in the depreciated post-war francs of France, in which the French Government themselves honoured their debts. The French produced a flood of legal and other argument, submerging the origins and equity of the dispute; and refused to ratify the

¹ The Peking Syndicate, a British managed mining enterprise, was also interested in the Banque Industrielle.

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Washington proceedings until the Chinese yielded to their view; thus holding up for three years the meeting of the tariff conference and the extraterritoriality commission. Finally the Chinese gave way, and a complicated compromise was reached, the Chinese Government undertaking to meet with the funds in question the service of Gold Dollar Bonds, which were used for rehabilitating the Banque Industrielle. (Fortunately the future ups-and-downs of the franc, the pound sterling and the sacred dollar were at that time a closed book to all concerned.)

The French retain their original concession areas at the four major treaty ports, Shanghai, Tientsin, Canton and Hankow. The French Concession at Shanghai, a thriving European town, is administered with common-sense efficiency by French officials prepared to close their eyes to eccentricities which do not prejudice internal order and good government. Pastimes, such as greyhound racing and professional *pelota*¹ games, which cater for the Chinese taste for gambling, and which are therefore not permitted in the more puritanical atmosphere of the Foreign Settlement under what is practically British rule, flourish in French controlled Shanghai. (It is true that the head-quarters of the Shanghai Race Club, which enjoys an enormous income from Chinese totalisator bets, is in the Foreign Settlement; but, apart from specious arguments about the moral superiority of pony over greyhound racing, the profits of the Race Club are devoted to charitable and social purposes and do not furnish dividends for the promoters and shareholders of a commercial enterprise.) The opium traffic used to be a notorious scandal in the French Concession at Shanghai; because it suited the French authorities not to join issue with the Chinese racketeers. That the free and easy methods of French administration have their advantages is shown by the fact that there is less friction with the Chinese in the

¹ Basque tennis, known in the Far East as *Hai Alai*, is played by imported professionals for the purpose of affording, like the greyhound racing, betting facilities for the Chinese public.

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French Concession than in the adjoining Foreign Settlement. The French know how and when to take things easily. But, when there is trouble, whether with Chinese or Japanese, they stand no nonsense, mobilize their Colonial Infantry and Annamites, and show their determination to defend French property and interests, without unduly worrying about the consequences, and without the controversy, publicity and fuss attending similar defence preparations in the Foreign Settlement.

The French Concessions at Tientsin, Canton and Hankow are relatively unimportant and can be of small economic value to French interests. Politically these tiny French-ruled enclaves are only an embarrassment. But the French Government would not think of retroceding them, as the British retroceded their concessions at Hankow, unless it was made worth their while to do so.

The Chinese do not boycott the French, as they have on occasion boycotted the British, the Japanese and even the Americans. This may be because, French trade with China being relatively small, the French are less vulnerable to the weapon of the boycott. On the whole the Chinese and the French get on together very well. They seem to understand, if they have no particular respect for, one another. The French in China have also the advantage of being without race prejudice, which tends at times to colour the relations with the Chinese of British and Americans. French diplomacy can and does at times deal harshly with the Chinese without provoking outcry and agitation. Perhaps China knows in her subconscious mind that she has nowadays in the last analysis little to fear from France.

CHAPTER FIVE

GERMANY, ITALY AND THE SMALLER POWERS IN CHINA

Britain, France, Russia and America dictated the first treaties to the Chinese Government. Germany, Belgium, Denmark, Holland, Portugal, Spain, Japan, Italy, Austria, Norway and Sweden, Brazil, Mexico and Switzerland followed in their wake, the Chinese Government obediently concluding similar treaties with each successive envoy arriving on the scene. The procedure was simplified by the inclusion in many of the treaties of a Most Favoured Nation Clause, stipulating that each country and its nationals should be allowed free and equal participation in all privileges, immunities and advantages that might have been, or might thereafter be, granted by China to the Government or subjects of any other nation. Half a century later industrious secretaries in the foreign Legations at Peking were still hunting through the dusty files of the treaties and agreements of all nations in order to pin China down to some obscure and complicated obligation in connection with her fiscal, administrative or jurisdictional arrangements.

The first German treaty with China was made in 1861 by His Majesty the King of Prussia, acting also for the associated German States, in textual imitation of the British and French treaties of 1858. But it was not until the years preceding 1900, when the Powers were scrambling for concessions, that Germany became a factor in the affairs of China. Having up till then no special interests or position in the East, the Berlin Government, mistaking China for a second

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Africa, were concerned with demanding for Germany her fair share in the partition of the Chinese Empire. The Kaiser and his Chancellor threw in their weight with such effect that they acquired for Germany the port of Tsingtao and the Kiaochow leased territory, the railway to Tsinan, and the great province of Shantung as sphere of influence. By 1898 the Germans, who a year or two before had no interests beyond their trade, could claim as big a stake in China as any other Power.

The great reaction of the Boxer rising followed, when the drama of the siege of the Legations opened with the assassination of the German Minister. The Chinese had committed the unforgivable offence of murdering a foreign envoy and had to be properly chastised. The Kaiser took the opportunity to assert Germany's position as leader in the allied punitive campaign. The German troops were instructed to wreak ruthless vengeance. When it was all over a white marble arch was erected in the street to mark for all time the spot where Baron Kettler, Germany's diplomatic martyr, met his end. Eighteen years later the Kettler memorial was removed by the Chinese to a public park to commemorate China's participation in the victory over Germany of the Allied and Associated Powers.

In the years following the Boxer rising Germany's policy in China became increasingly conciliatory, in contrast to her domineering methods in the pre-Boxer years. The German merchants pursued a similar policy, seeking to ingratiate themselves with their Chinese customers; and the volume of German trade rapidly increased. The British merchant was generally prepared to rest content with the sports, pastimes and amenities of existence in the treaty ports, while waiting for his comprador to bring business to his door. The German on the other hand would be found wandering in the far interior, seeking out contracts for machinery and electrical appliances, or collecting for export pea-nuts, soya beans, wood oil, bristles, hides and wool. Russia in those years was still regarded as the chief danger to the open door and China's integrity and independence, and, working

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seemingly in Russia's interests, could often be detected France and Belgium. Germany, on the other hand, tended rather to align herself with Britain, seeking commercial and financial, rather than political, advantages. The relations between the diplomatic and financial representatives of Germany and Britain were relatively cordial and their policies usually in line.

When the European War broke out the Japanese served on the Germans notice to quit Kiaochow phrased in terms similar to those of the notice to quit Port Arthur served on Japan by Russia, France and Germany in 1895. Though their isolation rendered the defence a hopeless proposition, the Germans, to save their face, rejected this ultimatum and, after a short campaign, were duly ejected by the Japanese. Again China, as a neutral, was compelled to put up with warlike operations between foreign Powers on Chinese soil, which in this case left Japan in occupation of the Kiaochow leased territory, the German railway to Tsinan and the German-built city of Tsingtao.

For the first three years of the war the Germans, expelled from their fortress base in the Kiaochow leased territory, carried on elsewhere in China as in a neutral country. In the Legation quarter in Peking the soldiers of the German Guard walked the streets and manned the antiquated defences of the quarter side by side with French and British troops. So far as China was concerned, they might equally have had a battle on the dusty glacis which served the Legations as a polo ground. But no more serious hostilities occurred than an occasional rough-house in cinema or bar. On the Yangtze both British and German gunboats were voluntarily interned. German residents, cut off from Germany and anxious to serve the fatherland, indulged occasionally in escapades; as when a German military attaché disappeared, it was said into Mongolia to blow up the Siberian Railway. But the Mongols and their Russian masters saw to it that he never reappeared.

The feelings of the Chinese in the European War were not

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particularly on the side of either the Allies or the Central Powers. Probably their chief reaction, if they troubled to think the matter out, was to hope that the western nations by mutually destroying one another might become so weakened as to cease from harrying the East. The political situation in Peking was one of great confusion. The policy of the Government, so far as one existed, wavered between anxiety to be on the winning side and fear of consequences if Germany should prove victorious after all. Finally, when the United States joined in the war, China was induced to come to the conclusion that it was in her best interests to do the same. In August 1917 China, having protested against the activities of German submarines, proceeded to declare war on Germany. But her heart was not in this quarrel between the giants of the West. Apart from the Chinese Labour Corps recruited by France and Britain while she was still a neutral, China's participation in the war was passive and inglorious. Without any real interest in the progress of hostilities, the Chinese Government had to be badgered by the allied representatives into taking measures against German interests in China. They interned the majority of German residents, took over the German concessions at Hankow and Tientsin, and sequestrated German ships and business property; and, after the war was over and the armistice already signed, they responded belatedly to allied pressure by repatriating a number of German individuals and families.

As a result of the World War Germany lost all her possessions and special rights and interests in China. For some years German interests in the Far East were non-existent. Then the German banks and business houses, which had been liquidated in the war, began to return and to resume their old activities. In 1921 Germany concluded with China a new treaty of friendship and commerce on a basis of equality. Germans, deprived of their extraterritorial and other treaty rights, wrestled with the problem of doing business with the chaotic China of the post-revolution years. In spite of their treaty handicap, the Germans rapidly made good and German

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trade with China was soon competing vigorously with that of Britain, Japan and the United States. To some extent the Germans were able to capitalize their loss of treaty rights by ingratiating themselves with the Chinese as the first Great Power to treat with China on a basis of equality. At the same time Shanghai and the other foreign-controlled areas at the treaty ports continued to afford a measure of shelter and protection for the head-quarters of the German business houses against the disorders of the times.

In the later post-war years the Germans also made their mark in the field of Chinese aviation. And, after the establishment of the new National Government at Nanking, the bonds with Germany were further strengthened by the engagement of German military officers to train the new armies of the Kuomintang. That the German military advisers gave the Chinese Government good value for their money was proved by the superiority of Chiang Kai-shek's new armies over their predecessors and their good showing in the war against Japan. It was natural that the Nanking Government should turn to Germany for military instruction and advice, for China's pre-war military forces had been modelled on the German Army, just as her navy had been organized on British lines; and in the post-war years Germany seemed of all the great western nations the least aggressive in the East. But the presence of a German military mission training the Chinese armies which fought against Japan in 1937 was yet another illustration of the contradictions and anomalies of the war between China and Japan. The Japanese claimed to be fighting bolshevism in China; and were allied with Germany in a common front against the Comintern; and yet the Chinese troops with whom they fought were trained and organized by German officers. It was not until May of 1938 that the German Government announced that they had advised the German officers to terminate their contracts and withdraw, explaining that this step, taken in the interests of Germany's neutrality, had been delayed because the conflict (in which more than half a million Japanese troops

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were now engaged) had hitherto appeared to be but a series of local incidents! The withdrawal of these German officers can scarcely fail to drive China into seeking more material assistance from the Soviet.

2

The first Italian treaty was concluded in 1866; but it was not until 1898 and 1900 that Italy made a serious appearance upon the Chinese scene. Following the other Great Powers she demanded a leased territory, naval base and coaling station; selecting for the purpose Sanmen Bay, on the coast of Chekiang. But the Chinese Government nerved themselves into refusing this request. Italy acquired, however, a fine Legation compound in Peking; and a concession at Tientsin, which is of little use except to minister to her prestige. For the same reason she maintained a Legation guard of Italian sailors and a man-of-war or two in Chinese waters. Having no material interests in China comparable with those of other nations, the chief preoccupation of Italian policy has been to assert the position of Italy as one of the Great European Powers.

After the World War Italy was able to increase her stake in China by the addition of the ex-Austrian interests which she had acquired together with her wartime territorial gains. These included the valuable interests of shipping plying to China from Trieste; and the less reputable interests of certain doubtful Austrian loans, which brought the Italian representatives to range themselves amongst China's European debt collectors.

Since the consolidation of the new Nationalist régime and the establishment of the Nanking Government, Italian diplomacy in China has shown considerable initiative and enterprise. The Italian Legation was the first (apart from the Russian Soviet establishment) to be raised to the status of

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an Embassy, thus forcing the hands of Britain, the United States, Japan, Germany and France. The Italian representative was the first to move his head-quarters to Shanghai from derelict Peking. The Italian Government were the first of the major foreign Governments to signify their readiness to surrender more or less unconditionally their extraterritorial rights as soon as all the Powers did likewise. And in 1934 a strong Italian Air Mission succeeded in displacing the Americans as advisers and instructors to the Chinese military air establishment.

The Portuguese were amongst the first Europeans to trade with China, and there are still considerable communities of worthy Portuguese, composed in the main of shopkeepers and clerks, at Shanghai and other treaty ports. The chief Portuguese interest in China concerns, however, the tenure of Macao.

The Portuguese settled at Macao, near Canton, in the sixteenth century, but their position there remained indeterminate until 1887, when an agreement was concluded with the Chinese Government confirming Portugal's ownership of this small enclave on the Kwangtung coast.

Macao is a pleasant old-world backwater, where no one seems ever in a hurry and the week-end visitor from busy, up-to-date Hongkong can almost imagine himself back in the days of the old East India Company in China. As a trading centre Macao is empty and lifeless compared with Hongkong and Canton; and its principal interests are, or used to be, gaming, smuggling, and gun-running in troubled times. The Chinese passion for gambling renders the keeping of gaming establishments under the protection of a foreign flag highly lucrative for their promoters, as in the case of the greyhound racing tracks and *Hai Alai* (*pelota*) courts and other gambling pastimes at Shanghai, and the Portuguese at Macao made the most of their opportunities in this respect.

From time to time, following some incident, the Chinese become worked up about Macao and agitate for its rendition. But these recurrent storms blow over, and Macao, and its

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administrators, and the ancient gunboat representing the might and majesty of Portugal, relapse again into their quiet slumber. The most serious of these controversies arose in 1908 over a question of the local boundaries, which had never been determined as provided for in the agreement of 1887. The dispute originated in a gun-running episode, involving a Japanese ship (the *Tatsu Maru*, origin of the first Chinese boycott of Japan) and the South China revolutionaries. The incident threatened to assume dangerous proportions; and the British Government became involved, owing to the existence of an old treaty, concluded more than two centuries before, under which Britain engaged to defend the colonies of Portugal. The British Government, to extricate themselves from an embarrassing situation, urged on both sides a boundary commission and arbitration; and, when China refused the latter, fulfilled their treaty obligations by warning the Chinese Government that Britain might be compelled to intervene in the event of China resorting to aggressive action. China finally agreed to a boundary commission, which met at Hongkong and talked the matter to an inconclusive end.

Their tenure of Macao can be of little value to the Portuguese; but it is equally of little prejudice to China; the Portuguese being mild and inoffensive folk, whose presence at Macao carries for China no threat of penetration, economic or political. Of recent years the Chinese have been too preoccupied with other and more pressing problems to pay much attention to the question of Macao; which remains a sore, quiescent and relatively harmless, on China's body politic; awaiting the day, if it is ever to arrive, when a united China, free from outside aggression, will peacefully adjust her points of conflict with the western world.

Of all the lesser Powers Belgium has the largest interests in China. Apart from an unfortunate reputation of having served as financial stalking horse for France and Russia during the battle of concessions and immediately ensuing years, the Belgian record in China is a good one. Belgian

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finance and Belgian engineering skill have played a large part in railway development in China. Following in the wake of the greater Powers, Belgium acquired a concession at Tientsin and for some years after 1900 maintained troops as a Legation Guard in the Legation quarter in Peking. But the Belgian Government were amongst the first to realize the anomalies of the old régime in modern China and the Belgian guard was soon withdrawn. In 1928 the new Nationalist Government of China, launching their drive against the Unequal Treaties, scored their first success with Belgium, when the Belgian Government in November of that year gave a lead to the lesser and a shock to the greater Powers by concluding an agreement for the conditional surrender of their extraterritorial rights¹. And in 1929 the Belgian concession at Tientsin, which had served no useful purpose, was retroceded to the Chinese Government.

The chief interests of Holland in China are concerned with shipping, the sale of Java sugar and the construction of harbour works. Whenever and wherever contracts for dredging or harbour works became obtainable, the Dutch contractors were immediately in the field, competing, often successfully, with other nations. Like the Belgians the Dutch early withdrew their Legation Guard and later followed the Belgian lead in declaring their readiness to give up extraterritoriality.

The Government of the old Austro-Hungarian Empire used to maintain in Peking a large Legation and Legation Guard; though Austrian interests in China were inconsiderable. After the European War Austria disappeared from China; the Austrians, like the Germans, lost their treaty rights; and (until their fusion with the German Reich) ceased to accredit a diplomatic representative to China. The buildings of the old Austrian Legation, formerly the scene of brilliant diplomatic entertainments, stood empty and neglected, or were let out in residential flats to impecunious Russian

¹ See page 93.

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refugees. The Dutch Minister, in charge of Austrian interests, acted as house-agent and rent collector. The troops of the Japanese Legation Guard took over the Austrian defence sector of the Legation quarter, and were thus afforded further opportunity, of which they later on took full advantage, of trailing before China the Japanese military coat. The disappearance of the Austrian Legation was a loss to the social life of Peking's diplomatic world; but otherwise had no particular effect on the affairs of China. Some of the vanished empire's elements, Poland and Czechoslovakia, entered later on into diplomatic relations with the Chinese Government on a basis of 'equality and reciprocity'.

The smaller nations have mostly each one or two interests to justify the presence in China of their leisured diplomatic representatives. Norway, her tramp-shipping up and down the China coast; Sweden, the sale of Swedish matches; and Denmark, the affairs of the Great Northern Telegraph Company, whose lines link Europe with Peking overland. The interests of Spain, Brazil and Mexico are more difficult to identify.

If it were possible, by using magic spectacles, to peer into the interiors of all the diplomatic establishments in China, the Embassies of Japan, Britain and America would appear as hives of industry, with staffs of secretaries, interpreters, clerks and cipher clerks, archivists and typists, busily at work. The Russian, French and German Embassies would seem relatively leisured. The atmosphere of the Belgian and Dutch Legations would be still more peaceful. And in the rest the *Chefs de Mission*, often single-handed, would be found killing time with little or no official business to transact.

But all were in the days before the war members of the *bloc* of Treaty Powers, which, through its instrument, the Diplomatic Body, used by collective action to maintain the treaty rights of foreign residents and supervise the actions of the Chinese Government. The pre-war Diplomatic Body in Peking was indeed an embryonic League of Nations, where the biggest and the smallest voices carried theoretically

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equal weight. The question at issue might concern the administration of the Shanghai Foreign Settlement, the Chinese tariff, or extraterritorial rights; or the order of precedence at some diplomatic function, or the drains of the diplomatic quarter in Peking; but in each case the acquiescence of the least important of the Treaty Powers was in theory as necessary as that of Japan, Britain or America.

The minister longest in residence became the Dean and his Legation the seat of the *Décanat* and the meeting place of the Diplomatic Body, where all questions concerning foreign rights and interests were decided and discussed. The powers of control exercised by the Diplomatic Body over the functions of the Chinese Government were very real. On all questions concerning the military and financial provisions of the Boxer Protocol the decisions of the Diplomatic Body, supported by the armed forces of the major Powers, were final. As the result of treaties, loan agreements and the practices and precedents of former days, the Diplomatic Body took into their corporate hands the custodianship of the principal revenues of China; so that the Chinese Government had to apply to the foreign representatives for 'releases' of their own salt and Customs revenues. No tax could be levied on a foreigner without the permission of the Diplomatic Body. Final decisions regarding the administration of the Shanghai Foreign Settlement were taken by the Diplomatic Body. Chinese fiscal, municipal or police or other regulations which might affect the business activities or social amenities of the foreign residents had to be submitted for the approval of the Diplomatic Body. In many cases such regulations were drafted by the foreign representatives and transmitted for promulgation to the Chinese Government. The Diplomatic Body in fact supervised the functions of the Chinese Government so far as they affected or touched at any point the lives and interests of China's foreign residents.

The Chinese people and their Government, disciplined by the trials and tribulations of the nineteenth century, accepted with meek obedience the overlordship of the Diplomatic

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Body, as something inevitable and imposed upon them from above. The first rift in the apparently impregnable and solid foreign *bloc* came with the European War, when the German, Austrian and Russian representatives, having lost their treaty status, were excluded from the holy circle of the Treaty Powers. For a few more years the Diplomatic Body continued, with weakening authority, to function as in pre-war days, until the Chinese Nationalists, in their drive against the treaty system, shook themselves free from the supervision of the foreign diplomats. The time came, after the Nationalists had established their new Government, when the Nanking Foreign Office refused to receive the corporate communications of the Diplomatic Body; who from that day ceased to function as overlords and guardians of the Chinese Government.

CHAPTER SIX

THE UNEQUAL TREATIES AND EXTERRITORIALITY

The Unequal Treaties were the natural outcome of the circumstances of China's early relations with the West. Owing to their geographical seclusion since the dawn of history, the Chinese had developed a culture and civilization of their own. So that when, in the early nineteenth century, the stream of European trade reached the shores of China and Japan, the Chinese, while considering themselves immeasurably superior, were actually two hundred years behind the times and unfitted by their mental and material equipment to deal on equal terms with the invaders from the West. But the trading instinct is one of the strongest characteristics of the Chinese race; and, while the foreigner sought the teas and silks of China, the Chinese readily took in exchange the cotton piece-goods, opium and foreign sundries brought to their shores by the ships of Europe and America. The Chinese people, then as now, hungered after trade; but their rulers were interested only in its revenues, and with an instinctive fear of what the impact of the West would ultimately mean, they sought to close their gates and keep the foreigner at a respectful distance. The foreign merchants, regarded as barbarians of an inferior, uncultured race, were allowed in Canton as a special privilege, but were subjected as regards their residence and trade to regulations and restrictions as vexatious as they were humiliating; while they were at the same time exposed, in the then existing state of China's judicial, fiscal and police administrations, to the extortions of the Chinese tax-gatherers and the horrors of Chinese punishments and gaols. When, therefore, the Western Powers, under

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British leadership, imposed their will by force of arms, it was natural that they should exact from China treaties which furnished the requisite safeguards and protection for foreign residence and trade.

These safeguards and privileges consisted in the main of extrterritoriality, under which foreigners could live in China under their own laws and immune from Chinese jurisdiction; the opening of 'treaty ports' to foreign trade and in some cases the demarcation at the treaty ports of areas ruled and administered by foreigners; foreign control over the Chinese Customs tariff; and the right to navigate with merchant ships and police with foreign men-of-war the coasts and inland waterways of China.

Down to the end of the nineteenth century the treaty system operated well enough and was justified by conditions and circumstances in China. But after 1900, with the gradual awakening of the Chinese people, there arose the movement for recovery of sovereign rights, the beginning of the long struggle against the Unequal Treaties. Already in the years before the revolution the voice of Young China was making itself heard, and opposition and obstruction to foreign rights and treaty privileges became the instinctive reaction of Chinese officialdom in their relations with the foreigner. From those days down to the present time China's fight against the old treaties has been much interwoven and confused with anti-foreign feeling; and it has been easy for interested local foreign residents to ascribe to anti-foreign feeling all the manifestations of awakening nationalism in China; the truth being that the innate anti-foreign feeling of the Chinese has been fomented and provoked by the privileged position of the foreigner and the policies of foreign Governments in China.

In 1912 China became a republic and the movement against the old treaties naturally gathered weight; while a few years later it received a further and more powerful impetus from the World War, the eclipse in the Far East of Germany, and the Russian revolution. The voice of Young China

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now became a clamour which could no longer be ignored. Germany, Austria and Russia had been eliminated from the Treaty Powers. Britain, America, Japan and France, assisted by the rest of the China Treaty Powers, conferred at Washington in 1921 and, prompted by America, made cautious concessions to the Chinese demand for the revision of the Unequal Treaties.

The Chinese went to Washington full of high hopes—Japan to be arraigned before the bar of Americanized world opinion, tariff and jurisdictional autonomy restored, the foreign garrisons withdrawn, concessions and leased territories rendited and lost sovereign rights regained.

In the result they had to rest content with very little: the Nine Power Treaty in which the signatory Governments affirmed in well-turned phrases their respect for China's territorial and administrative integrity and the doctrine of the open door; the Customs Treaty, which provided, not for China's fiscal independence, but for the assembling of a Special Tariff Conference to consider minor increases in the Chinese import tariff; resolutions regarding the withdrawal of the foreign postal agencies and the dispatch to China of an international commission to investigate the question of extraterritoriality; and vague offers to restore certain of the leased territories.

But China's failure to achieve her hopes at Washington was as much due to her own shortcomings as to lack of sincerity and good intentions on the part of the nations assembled at the conference. For, unfortunately, things in China were at this time in a frightful mess, going during the next few years from bad to worse, so that the continuing civil wars and political disorders furnished abundant justification from the foreign point of view, for holding up even the half-measures of treaty revision promised in the Washington resolutions and agreements.

Yet in the meantime a new spirit was being born in China. The militant nationalism of the Kuomintang, bred of Sun Yat-sen's alliance with the Russian Communists, appeared

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upon the Chinese scene. China, like Turkey, Germany and other humiliated nations, made the discovery that Governments who are beneficiaries of treaty privileges yield little to reason but everything to force. The Kuomintang, guided and inspired by their Soviet advisers, and disdaining what had been offered them at Washington, launched their attack upon the Treaty Powers in general and Britain in particular. The British Government, exhibiting a wise appreciation of realities, or (according to the viewpoint of the commentator) a craven spirit of surrender in the face of force and agitation, issued at the end of 1926 their Christmas memorandum urging the other interested Governments to declare their readiness to revise the treaties, to abandon the conception that China's economic and political development could be secured only under foreign tutelage, and to recognize immediately her right to tariff autonomy and fiscal independence.

A few days later the British Government, in the midst of the alarms and excitements of the Hankow incident,¹ made a concrete offer to the rival Chinese Governments in south and north, indicating what they were prepared to do in the way of the immediate revision of the treaties, including the application, as far as possible, of Chinese law in British courts in China, the payment by British subjects of regular and non-discriminatory Chinese taxation, some modification, by negotiation, of the status of the British treaty port concessions, and the abandonment of the special rights of missionaries in the interior of China. The times were too disordered and the Chinese too excited for a calm consideration of the British offer, which remained suspended in the air. But its implications as regards the British attitude were obvious. The British Government seemed to be on the run, and Nationalist China pressed with redoubled energy their drive against the treaties.

By 1928 the Kuomintang, hitherto regarded by foreigners as outcasts and untouchables, had by success achieved respectability and recognition. The National Government

¹ When the British concession at Hankow was overrun by a Chinese mob.

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established at Nanking and accepted as the Central Government of China, carried on the drive against the treaties, but by more respectable methods of negotiation, in place of violence and agitation. Tariff autonomy was soon regained, the leased territory of Weihaiwei and several treaty port concessions were recovered, minor successes in other treaty spheres were scored, and blows, which seemed likely to be vital, were struck at extraterritoriality, the bedrock and foundation on which the treaty system stood. Italy and the smaller Powers, Belgium, Holland, Denmark, Norway, Sweden, Spain and Portugal, came easily to hand; Britain and America began to bend gracefully to the nationalist storm, and France, while showing less amenability, could be counted on to follow suit. Only Japan spelt doubt and danger. The nationalist drive continued, the inevitable head-on collision with Japan materialized in 1931, and the victorious campaign against the Unequal Treaties came abruptly to an end.

The provisions regarding extraterritoriality in the early treaties were simple and short, merely laying down the principle that foreign Treaty Power nationals in China were not subject, either as to their persons or their property, to the laws of China, but only to the jurisdiction of their national laws administered by officials of their own nationality.¹

But these brief provisions covered in fact all that was essential to the principle involved, and out of them grew the vast structure of foreign extraterritorial rights in China, including the chief monument and citadel of the extraterritorial régime, the Shanghai Foreign Settlement. And by the mere fact that he was immune from Chinese laws and jurisdiction there accrued to the foreigner all manner of advantages and privileges which came to be accepted as part and parcel of his treaty rights. He could thus enjoy freedom from Chinese rates and taxes, in so far as such taxation could not be enforced against him by any Chinese authority or court; his house and properties were immune from search or entry by Chinese

¹ By Articles 15 and 16 of the Treaty of Tientsin of 1858, and Articles 2 and 3 of Section II of the Chefoo Convention of 1876.

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minions of the law; his ships on China's coasts and inland waterways could not be boarded by Chinese soldiers or police; his Chinese employees and servants could not be interfered with or arrested save with the assent of his own consular authorities; and, if he was journalist, editor or author, he could publish, without fear of consequences, the most outspoken criticisms of the Chinese and their Government.

Exterritoriality, a necessary evil in the early days, has inevitably been the cause of endless friction in China's international relations and a source of constant irritation to such Chinese as come in contact with the foreigner. The Chinese naturally detest extraterritoriality, which they call 'consular jurisdiction', and all that it implies. The Treaty Power foreigner in China, on the other hand, equally naturally, regarded, and in most cases still regards, his immunity from Chinese jurisdiction as essential to his safety, welfare and prosperity.

The judicial machinery of the British Government in China (which has served as a model for the majority of other Powers) is placed in the hands of their consular officials, supported by a judge and Supreme Court established at Shanghai. The Consul in China thus has two masters, his Ambassador or Minister directing his diplomatic and consular activities, and the judge, who supervises his judicial functions. As regards the latter, the Consul acts as magistrate and judge of first instance, dealing with minor suits and crimes, and referring more important cases to the High Court in Shanghai.

The Chinese, attacking 'consular jurisdiction', are apt to argue that the foreign Consul must necessarily be advocate for his national as well as judge, that the Consuls have no legal knowledge, and that justice is frequently miscarried in their courts. In actual fact British Consuls in China have for near a century administered justice amongst their people by methods which are sometimes rough and ready, but which have generally proved fair and satisfactory for all concerned. The same can be claimed for the Americans. But it would be idle to deny that in the case of certain other Powers there

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have at times occurred abuses of extrterritoriality which justify the Chinese attitude.

By Article 12 of the Mackay Treaty of 1902 Great Britain undertook to relinquish her extrterritorial rights when she was satisfied that the state of the Chinese laws, the arrangements for their administration, and other considerations, warranted her in doing so. Japan and the United States gave the same undertaking in the similar treaties which they concluded with China at this time. But there the matter rested for another twenty years.

As a result of the World War China recovered jurisdiction over Germans, Austrians and Russians. The pacific atmosphere of the post-war world appeared favourable to Chinese aspirations and it seemed that the end of extrterritoriality could not be long delayed. In the Near East Turkey had compelled the victorious Allies to surrender their extrterritorial rights. Persia, Afghanistan and Siam had recovered, or were shortly to recover, full sovereignty in their jurisdictional affairs. China, by all standards of history, culture, territory and population, one of the greatest countries of the world, was yet the only independent nation still subjected to the humiliations of an extrterritorial régime. A German, Austrian, Czechoslovakian, Lithuanian, Greek, Turkish, Bulgarian, Roumanian, Yugoslavian, Polish or Russian resident in China, suspected of crime or misdemeanour, could be arrested and haled before a Chinese court; but the persons and properties of Americans, Britons, Japanese, Frenchmen, Italians, Belgians, Dutchmen, Swedes, Norwegians, Danes, Brazilians, Spaniards, Portuguese and Mexicans remained inviolate.

At the Washington Conference in 1921 the Powers concerned adopted a resolution providing for the establishment of an International Commission to inquire into the matter of extrterritoriality in China.

After prolonged delays due to disturbed political conditions and the Gold Franc controversy with France, the commission was assembled in 1926. The time was inopportune, as would indeed have been the case at any time during these

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disordered years in China. The Peking Administration, still recognized by the Powers as the Government of China, had faded to a shadow; the rival Government of the Kuomintang, seated in the home of revolution at Canton, and claiming the immediate and unconditional abolition of extrterritoriality, refused to recognize the Commission or to co-operate with it in any shape or form; while the rest of the Republic lay derelict under the regional rule of local war-lords who were a law unto themselves.

In these unpromising circumstances the foreign jurists of the International Commission investigated for several months the state of the laws and their administration in China. Eventually they presented a report, signed by the representatives of Britain, America, France, Japan, Italy, Belgium, Holland, Denmark, Norway, Sweden, Spain, and Portugal, to which were attached cautious recommendations to the following effect:

1. The Chinese judiciary should be effectively protected against interference at the hands of other branches of the Government.
2. The Chinese Government were advised to adopt a programme for the improvement of their legal, judicial and prison administrations.
3. The Powers concerned were advised to consider the possibility of devising and agreeing with China on some progressive scheme for the gradual abolition of extrterritoriality; and in the meantime to consider to what extent the existing system could be modified, with special reference to the possibility of applying Chinese laws in the foreign courts in China and the payment by foreigners of Chinese taxes.¹

The report of the Extrterritoriality Commission was followed by the treaty alteration offer of the British Government. But both were brought still-born into the world. The

¹ The position as regards taxation of Treaty Power foreigners in China is a specially favourable one, since, as residents abroad, they are exempt from much of their own national taxation, while enjoying under extrterritoriality freedom from direct Chinese taxation.

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initiative was about to pass to China. The new National Government of the Kuomintang, flushed with success, disdained to have any truck with cautious half-measures and schemes for the gradual and progressive abolition of extrterritoriality. They publicly announced their intention of securing the abrogation of the Unequal Treaties and the conclusion of new international agreements based on principles of equality and reciprocity. The principal treaties of the various Powers, which were otherwise of indeterminate duration, contained clauses providing for the revision of the commercial articles at the end of each decennial period; and the Chinese Government set to work by arguing that they were entitled under these clauses to denounce each treaty as its decennial period fell in. In 1928 the Belgian Government started the rot amongst the Treaty Powers by concluding a new treaty with the Chinese Government agreeing to surrender Belgian extrterritorial rights as soon as the other interested Powers did likewise. Denmark, Italy, Portugal, Mexico and Spain almost immediately followed suit.

In each case these conditional surrenders of extrterritoriality by the Powers concerned were so worded as to give to the Chinese public the maximum impression of their Government's success. In the body of each new treaty there appeared a clause providing that the nationals of the two contracting parties should be subject in the territory of the other party to the laws and jurisdictions of the law courts of that party. At the same time notes were exchanged by which it was agreed that the Chinese Government would make detailed arrangements with the Government of the Power concerned for the assumption of jurisdiction over the latter's nationals; and that, until such arrangements were concluded, the nationals of the Power in question would become amenable to Chinese laws and jurisdictions as soon as the other Powers still possessing extrterritorial privileges in China should have agreed to give them up.

There remained in 1929 with extrterritorial rights in theory unimpaired only Great Britain, the United States, Japan, France, Brazil, Norway, Sweden and the Netherlands. To

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these Powers the Chinese Government in April, 1929, addressed politely worded notes expressing the desire of China to have the jurisdictional restrictions on her sovereignty removed. The burden of the diplomatic wrangle which ensued was shouldered by Great Britain, the other Powers awaiting its result. In August the British Government replied to China's note, reviewing the history and circumstances of extritoriality, referring to their treaty alteration offer, and expressing their readiness to examine in collaboration with the Chinese Government the problem of extritorial jurisdiction with a view to ascertaining what further steps it might be possible to take. The Chinese Government replied in turn, refuting the British argument, quoting the case of Turkey and requesting that immediate discussions might be entered on for the making of the necessary arrangements for the abolition of extritoriality. The correspondence continued on these lines until the Chinese Government took steps to force the issue by declaring their intention to decree the abolition of extritoriality at the end of 1929. But the ingenuity of the British Foreign Office was not even now exhausted. They replied warning the Chinese Government against any attack on the legal rights of British nationals, but agreeing that the 1st of January, 1930, should be treated as the date from which the process of gradual abolition of extritoriality would be regarded as having been begun, and expressing their readiness to enter into negotiations as soon as political conditions in China rendered it possible to do so.¹

On December 28, 1929, the Chinese Government issued a mandate declaring that as from the 1st of January, 1930, all foreign nationals in China should abide by Chinese laws. The issue seemed, therefore, to be squarely joined at last. But in fact this was but another instance of the Chinese genius for compromise and make-belief. While declaring to their countrymen that extritoriality had been abolished, the Chinese Government once more invited Britain and the

¹ Most of this remarkable diplomatic correspondence was published in the Press and the *China Year Book* at the time

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other Powers to discuss arrangements for carrying its abolition into practical effect.

Yet the drive of the National Government against extrterritoriality, directed by a clever and energetic Foreign Minister, had by this time achieved an astonishing measure of success. Italy and the majority of the smaller Powers had been disposed of; and the rest, represented by Britain and America, had been levered from their position that extrterritoriality could only be abolished by gradual and progressive means, and had agreed, under the shadow of China's unilateral denunciation of foreign treaty rights, to enter upon negotiations for immediate abolition. The battle was, it seemed, more than half won before it was begun.

The opening of serious negotiations was, however, delayed by the outbreak, in the spring of 1930, of yet another major civil war; and it was not until the autumn of the year that the National Government, having emerged victorious from the last internal war to challenge their authority, were in a position to resume their diplomatic struggle with the Treaty Powers. In the meantime Britain and America had taken advantage of the interval to evolve a common programme of safeguards and conditions for the ending of the extrterritorial régime.

The detailed negotiations between the Chinese Government and the British Minister finally opened at Nanking early in 1931 and continued for some months. While they were in progress, in May of the same year, a People's Convention was assembled in Nanking, with the object of securing an appearance of popular backing for the National Government, still at that time engaged in manœuvring for popular support. The leaders of the Kuomintang had widely advertised that extrterritoriality would be abolished, whether by agreement with the Powers or otherwise; and they therefore found it necessary to make some further gesture to satisfy the People's Convention and the Chinese public in the provinces. In these circumstances the Chinese Government issued on the 4th of May, 1931, regulations for the assumption by the Chinese courts of jurisdiction over foreigners, the arrangements

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covering in outline the legal safeguards then under negotiation with Britain and America. Simultaneously a mandate was issued fixing January 1st, 1932, as the date on which the regulations were to come into effect. Thus for the second time the Chinese Government unilaterally decreed the abolition of extraterritoriality, while again offering the Powers a further breathing space, until the end of 1931, in which the matter might be arranged by mutual consent.

In the summer of the year 1931 the negotiations between the Chinese Foreign Office and the British Minister resulted in tentative agreement, and the terms of a draft treaty for the ending of British extraterritorial rights in China were referred to the two Governments for final consideration and review. There the matter rested until a few weeks later the explosion in Manchuria ushered in the conflict between China and Japan, one result of which was the indefinite postponement of all further consideration of the question of extraterritoriality. The Chinese Government had now a very different role to play. Instead of denouncing the foreigner's archaic treaty rights, they were appealing to the sanctity of treaties and invoking the intervention of the League of Nations, the signatories of the Nine Power Treaty and the Kellogg Pact. In these circumstances they had the good sense to accept the situation, and, at the close of 1931, found further pretexts for again postponing, but on this occasion *sine die*, their measures for the unilateral ending of extraterritoriality. In any case nothing could be now achieved, since the proposed arrangements under negotiation with Britain and America were all dependent on their being similarly accepted by the other interested Powers, and there was now no possibility of negotiating any agreement with Japan.

Thus came abruptly to an end the bold attempt of Nationalist China to recover their lost sovereignty in jurisdictional affairs. In the meantime Norway and Holland had in 1931 joined the majority by concluding agreements for the surrender of their extraterritorial rights as soon as all the other interested nations did the same. When, therefore, the Manchurian explosion intervened, the leaning bulwark

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of the extraterritorial régime was supported only by Britain, the United States, France and Japan. While the principal discussions had proceeded with the British representative, parallel negotiations had been going on with the United States, on the tacit understanding that the viewpoints of Britain and America were more or less identical. France was known to be waiting on results and could be counted on to fall eventually in line. Only Japan's intentions were from the outset doubtful; not because the Japanese Government attached greater importance than the other Powers to the retention of their extraterritorial rights, but because they were unlikely to surrender them without a suitable return. The attitude of the British Government upon the suspension of the negotiations was that the matter had been carried, as between China and Great Britain, to the furthest point and would now have to remain in abeyance until similar progress had been made in the negotiations with the other interested Powers and until China was in a position to implement any agreement reached.

The negotiations of 1931 were carried on by the British Government in the face of bitter opposition from the majority of British residents in China, who were able to produce floods of argument against any surrender of their vital treaty privileges. There can indeed be no finality to arguments for and against the extraterritorial régime, because of the violently conflicting viewpoints of the Chinese and the foreign resident in China. To the Chinese the extraterritorial system is a humiliating impairment of their sovereign rights and the source of all evils and misfortunes for the Chinese State; while to the Treaty Power foreigner it remains an essential condition to the safety and amenities of life and residence in China. The rest of the world, judging by the attitudes of the majority of foreign Governments, are little interested in the matter either way. The truth lies somewhere between the two extremes. Extraterritoriality is not as great an evil as the Chinese make it out to be; and residence for the foreigner without extraterritoriality in China, while certainly more

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difficult and less agreeable, would be neither impossible nor unduly dangerous.

In any case the question of the abolition of extritorial rights in China is not one to be judged on the merit of the case. Chinese standards of judicial administration may lag a long way behind those of Britain, America and France. But is China less fitted to assume jurisdiction over the foreigner within her gates than Turkey, Persia, Mexico or Russia? And would the average Englishman with any knowledge of the circumstances in each case prefer to be haled before a Russian rather than a Chinese court? It would be agreeable, but it is unfortunately impracticable, to be able to demand to live in Russia under the protection of extritoriality. The fact is that the benefits and privileges of an extritorial régime are only nowadays available in those countries which have not hitherto been powerful enough to secure their abrogation. And public opinion in Britain or America would no longer sanction a resort to force to maintain extritoriality for Britons and Americans in China.

As long as China, like pre-war Germany before the days of Hitler, was content to follow methods of polite diplomacy, her progress, faced as she was with a round dozen Treaty Powers, in ridding herself of the Unequal Treaties was slow and arduous. Only when she clamoured loudly and forcefully enough did her efforts meet with any measure of success; and only when her most formidable antagonist resorted to the arbitrament of arms was her progress definitely checked. The future of extritoriality in China now depends, not on the state of Chinese laws and their administration, but on China making herself strong enough successfully to demand its abolition.

CHAPTER SEVEN

THE FIGHT FOR TARIFF AUTONOMY

It is strange to recall, in these days of protection, quotas and excessive economic nationalism, that China was for nearly ninety years, from 1842 to 1929, bound by the treaties to a five per cent *ad valorem* import tariff. The actual duties which she was allowed to levy were, however, usually even lower, because they were levied at specific rates, which, fixed by mutual agreement between China and her foreign overlords, and meant to represent an *ad valorem* five per cent, came, owing to the rise in prices, to represent values considerably less. For more than fifty years the term 'tariff revision' meant, not the raising of these modest import duties, but the revision of the specific duty rates to bring them up to an effective five per cent. These revisions, provided for in the Treaty of Tientsin, took place at rare intervals, in 1858, in 1902, in 1918 and 1922. On each occasion, before she could have her duty rates revised, China had to apply for and secure the assent of a round dozen Treaty Powers, some of whom were in the habit of laying down irrelevant political conditions before agreeing to a revision of the rates.¹

The only departure from the treaty rate of five per cent concerned the special arrangements applicable to the few treaty ports on the land frontiers of the Chinese Empire.

¹ Between 1902 and 1918, especially, the rise in commodity values resulted in the Chinese Government collecting their Customs duties at rates far below the treaty five per cent. During these years the revision of the tariff was obstructed by certain of the Powers who put forward totally irrelevant political demands as conditions precedent to their consenting to a revision of the specific duty rates. China finally got her revision in 1918 as one of the inducements to enter the war on the Allied side.

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Under the relevant treaties concluded with Britain, France and Russia the Customs duties were collected on a specially reduced scale on China's land frontiers with Burma, Indo-China and Siberia. These arrangements, savouring of preference and spheres of influence, were always particularly obnoxious to the Americans and other protagonists of the open door.

Like the rest of the framework of the Unequal Treaties, the fixed low import tariff could in the early days reasonably be justified as a necessary restriction on China's sovereign rights. For her rulers could not then be trusted to levy uniform and equitable Customs dues, so that safeguards were necessary to prevent them stifling foreign trade by the imposition of arbitrary, uncertain and excessive rates of duty. Britain, at any rate, as the world's leading apostle of free trade, could salve her conscience with the theory that she was forcing upon China the greatest of economic truths. But, whether morally justifiable or not, the treaty tariff furnished a back-ground of fiscal stability for more than fifty years of profitable China trade, in which the only speculative and uncertain factor was the ceaseless fluctuation in the price of silver, which constituted China's simple but otherwise efficient currency. Everyone connected with the China trade, from the manufacturers and their operatives in Britain, Europe and America, to the agents, firms and middlemen in China, prospered exceedingly; the Chinese merchants and consumers benefited in turn, and the foreign residents in the treaty ports enjoyed the advantage of purchasing their spirits and tobacco and other European stores and goods at prices that were practically duty free. It was not surprising that a chorus of disapproval and disappointment echoed round Shanghai when the foreign Governments were at long last manoeuvred into conceding tariff autonomy to China.

Yet for the foreign merchant the treaty tariff represented but a half-won battle. For untold ages the trade of China had been a ceaseless fight between the merchant and the revenue collector. In the nineteenth century the chief weapon of the Chinese tax collector was the internal transit

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duty known as *likin*.¹ Wherever a barrier could be suitably established, on the narrows of a waterway, a passage through the hills, at city gates or main road junctions, there would *likin* be collected; and, being a local tax collected for the benefit of local governments, it was collected, not once, but twice or thrice or many times on the same goods as long as they remained in transit. The foreign trader, represented by his Government, secured therefore the insertion in the early treaties of a provision whereby, by paying an additional duty of two and a half per cent, he could take out a 'transit pass', which, in theory, exempted his goods from further taxation while *en route* to their destination in the interior of China. The Chinese officials and their Government countered this move in turn by imposing 'consumption' and 'destination taxes', which they claimed the right to levy when the goods had reached their place of destination. Unending controversy raged for more than fifty years between the Legations and the Chinese Government over these pettifogging questions of *likin*, transit passes and internal taxes.

In 1902 Great Britain, followed by Japan and the United States, concluded with China a new commercial treaty, which was intended, after the convulsions of the Boxer episode, to pave the way towards a smoother understanding between the foreign merchant and the Government of China. In these new treaties the three leading Powers agreed to the raising of the Chinese import tariff by a further seven and a half per cent in return for the abolition of internal transit dues. But this well-meant proposal soon came to be recognized as but a pious hope, an expression of an unattainable ideal, since *likin* was regarded as an altogether superhuman evil, so that the tariff clauses of the post-Boxer treaties remained a dead letter for more than twenty years.

Down to the time of the World War, while China was still subjected to the corporate domination of the concert of the Powers, the volume of internal taxation was kept

¹ *Likin* was originally a one *per mille* transit tax introduced to raise funds for local expenditure in connexion with the restoration of order after the T'ai'p'ing rebellion in the eighteen-sixties.

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within reasonable bounds. And if the Dean of the Diplomatic Body, or the British, Japanese, German, French or Russian Ministers thumped the table hard enough, the Chinese Foreign Office of the moment were usually able to bring the recalcitrant tax official or revenue bureau sufficiently to heel. But when, after the revolution and the death of Yuan Shih-k'ai, China lapsed into political disorder, banditry and civil war, the problem of irregular taxation levied in the interior on foreign goods became increasingly unmanageable; while at the same time the rise of Chinese nationalism, and the growing opposition to the Unequal Treaties, afforded to the tax-gatherers of the Chinese war-lords the pretext of popular support. Another factor which rendered this tiresome question more and more acute was the growth of the new trade of direct distribution in the remote interior. In the early days the foreign merchant sold his goods mostly in the treaty ports, leaving their distribution to the Chinese trader; and he was, therefore, less concerned with the weight of taxation which fell upon the goods as they percolated through the provinces. But later on the larger firms, and especially those interested in the sale of oil and cigarettes, built up, on the strength of somewhat obscurely worded provisions in the treaties, huge organizations for the direct distribution of their goods through native and foreign agencies to all parts of the interior.¹

The British, as the chief trading nation and the architects of the old treaty system, bore as usual the brunt of the campaign; and the British Minister, his secretaries and Consuls, wasted prodigious quantities of paper, ink and time in recording futile protests against the 'illegal taxation' levied on oil and cigarettes. The Asiatic Petroleum and British and American Tobacco Companies developed an enormous business for the sale of their commodities by a network of agencies flung over the face of China. The latter especially were in almost ceaseless conflict with the Chinese authorities

¹ While the spirit of the old treaties clearly intended that the activities of the extraterritorialized foreign merchant were to be confined to the treaty ports, the right to trade in the interior through Chinese, and in some cases even foreign, agencies came gradually to be established.

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over the internal taxes levied on their goods. But it was a losing battle for the British Government, whose representatives in China fought so hard to uphold the claim of the British and American Tobacco Company to be entitled under the treaties to pass their cigarettes into consumption throughout China, free of the internal taxes levied everywhere on Chinese goods. Looking back across the years the controversy now appears lacking in logic and reality. The Governments of Britain, France, Japan and the United States, who themselves imposed enormous duties on luxury commodities such as spirits and tobacco, sought strenuously to prevent the Chinese governing authorities from imposing on the same articles higher duties than the nominal rates of China's treaty tariff, and charged the Chinese Government in the solemn language of diplomatic protests with illegality and violation of the treaties when they imposed on wines and cigarettes an extra-treaty tax of twenty-five per cent or so. Finally, after the storm of paper protests had blown itself to nothing, the tobacco companies wisely threw in their hands, and made special agreements with the Chinese Government for the taxation of their goods on fixed extra-treaty lines. These agreements operated very satisfactorily and were the beginning of the end of the stranglehold of foreign Governments on China's fiscal system.

After the war the recovery of tariff autonomy became one of the chief aims of China's foreign policy, though this was still regarded by the foreign interests and Governments concerned as a relatively harmless hobby and a case of crying for the moon. The Chinese representatives raised the matter at the Versailles Conference, and again at the Conference in Washington in 1921, only to see their request politely side-tracked by the Treaty Powers, who reminded them that *likin* had first to be abolished before the tariff could be raised as provided in the post-Boxer treaties of twenty years before. Finally the Chinese Customs Tariff Treaty was concluded at Washington in 1922, providing that there should be immediately assembled in Peking a Special Tariff Conference to

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consider the measures to be taken before *likin* could be abolished and to authorize the levy of surtaxes, not exceeding five per cent, as a preliminary step towards the tariff increases contemplated in the treaties of 1902 and 1903. Behind all these arrangements lay the assumption on the foreign side that no Chinese Government would, or ever could, abolish *likin*. China's progress towards tariff autonomy seemed likely to continue to be tortuous and slow.

The Washington Treaty had provided for the assembling of the Tariff Conference within three months. But, owing to the gold franc controversy and the consequent refusal of the French Government to ratify the treaty, more than three years elapsed before the Conference was finally assembled in Peking. In the meantime, China's political disorders went from bad to worse. The Conference opened in the autumn of 1925, a year ill-fated and rendered memorable by incidents and riots. The Kuomintang, influenced by Communists and Russian agitators, had taken the bit between their teeth and launched their campaign against the foreigner and all his works. The Shanghai incident in May had been followed by riots and agitation up and down the Yangtze Valley. The authority of the Peking Government was almost at its lowest ebb. When the Conference opened, the Government which met the foreign delegations claimed to represent a combination of the interests of Chang Tso-lin, the Kuomintang and Feng Yu-hsiang, the Christian General who had become a revolutionary radical. Before it had been long in progress this alliance of ill-assorted interests finally broke up. Chang Tso-lin and Feng Yu-hsiang were again at one another's throats and civil war raged intermittently outside the city walls. The rival Kuomintang Government seated in Canton denounced the Conference and warned the Powers against any dealing with the war-lords of Peking. Foreign opinion in the treaty ports held, not without reason, that the proceedings in such an atmosphere were but a farce. Nevertheless the fact remained that China's foreign diplomats were voicing the feelings of all sections of the distressed and dis-united Chinese nation when they clamoured with such skill

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and eloquence for the recovery of sovereign rights. And it thus happened that at the very outset of the Conference the Chinese delegation, somehow or other, manœuvred the foreign representatives into a vague acceptance of the principle that *likin* would be abolished and tariff autonomy regained by 1929.

Behind the Tariff Conference there loomed the gloomy shadow of China's unpaid debt. These debts, incurred and accumulated during the era of disorder, were by comparison with the debts of many other nations of relatively small amount. But, with the country torn by civil wars and with a Central Government which had no mandate or authority to govern, there seemed little likelihood of their ever being paid. Some of these debts were from the foreign point of view old and respectable: others were the result of speculative post-war transactions with a Chinese Government whose promise to pay without security was at no time worth very much: and others again, like the debts incurred to Japanese and other foreign interests by the corrupt officials of the *Anfu* Government of Tuan Ch'i-jui, were frankly disreputable from first to last. But in each case the hopes and ambitions of the creditor were focused on the Customs revenues. For, while the unsecured treasury notes of the Chinese Government of those days were worth little more than the paper they were printed on, the 'Customs loans' of China had always ranked amongst the best of gilt-edged investments in the world.

There were assembled at the Peking Tariff Conference the delegates of thirteen countries, China, Great Britain, the United States, Japan, France, Italy, Belgium, the Netherlands, Denmark, Sweden, Norway, Portugal and Spain. The functions of the Conference, according to the treaty signed at Washington, were to consider the interim measures to be taken before *likin* could be abolished and to lay down the conditions on which, and the purposes for which, the surtaxes were to be allowed. But the Chinese delegation set aside this modest programme and opened the proceedings by pressing China's claim to fiscal independence. Each of the dozen foreign delegations made suitable reply, expressing their

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extreme goodwill and readiness to meet the legitimate aspirations of the Chinese people, but reverting to the more limited agenda of the Conference. The Japanese representative, however, made a long oration, reminding the Chinese that the people of Japan had waited more than fifty years before achieving fiscal independence, and suggesting that the Chinese nation should similarly apply themselves with the necessary patience to the task of qualifying for the removal of the restrictions on their Customs tariff.

Actually the foreign Governments, following the lead of Britain, the United States, Japan and France, interpreted the task before the Conference to mean that China should be granted suitable increases in her tariff rates on two conditions, a programme of *likin* abolition satisfactory to the foreign interests concerned, and the consolidation, on the increased Customs revenues, of the load of foreign debt. The latter condition was regarded by the majority of the foreign delegations as of supreme importance: the former as of merely academic interest. There was, especially amongst the delegations of those countries with but a minor interest in China's trade, a marked unanimity of view about the tariff burdens which could properly be imposed upon that trade, provided only that the proceeds of the duties were adequately earmarked for the service of the debt.

The Special Tariff Conference, meeting in October 1925, beat the air until it evaporated, *re infecta*, with the dissolving Peking Government in the early summer of 1926. The foreign delegations spent the intervening months evolving schemes for *likin* abolition and the disposal of the Customs revenues for the consolidation of the debt: the Chinese delegation responding feebly with counter-proposals and suggestions which petered out with the disappearance of their Government. In the middle of the Conference the British Government threw a bomb-shell into the proceedings by instructing their delegation to dissociate themselves from further discussions on the consolidation of the debt, on the grounds that the Conference was not to be utilized for debt-collecting purposes. The British Foreign Office, disturbed by the rising wave of nationalist

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feeling surging through the country (and manifesting itself more particularly in anti-British agitation), and by the opposition of the Canton Government to the Conference proceedings, had suddenly awakened to the dangers of seeking to impose on a Chinese Government which could no longer govern an elaborate scheme for turning the Customs revenues into a *caisse de dette* for China's foreign obligations: they held that the piling of this load of foreign debt upon the Customs revenues, implying the continuation for an indefinite period of foreign control over those revenues, would, in the circumstances, dangerously strain the administration of the Chinese Customs, the bedrock and bulwark of China's foreign trade; and they declared that the Chinese should properly be left to settle their obligations on their own account, without reference to the tariff increases which were, by all standards of equity and treaty, already overdue.

The attitude of the British Government dealt to the expiring Tariff Conference its *coup de grâce*: and when it finally dispersed, in the summer of 1926, the various schemes of *likin* abolition and debt consolidation had vanished into smoke, leaving behind only a vague and indefinite commitment on the Powers' part that China was somehow or other to abolish *likin* and secure tariff autonomy by 1929. In the meantime, the new Nationalist Government of the Kuomintang, controlling Canton and the southern treaty ports, proceeded to enforce, without the Powers' consent, the surtaxes promised in the Washington Agreement. In this they were encouraged by the British Government, who at the end of 1926 issued their Christmas memorandum urging the Powers to grant the surtaxes unconditionally, to abandon the idea that China's economic and political development could be secured only under foreign tutelage, and to recognize in principle her fight to fiscal independence.

During 1927 the new Government of the Kuomintang extended their authority from Canton to Central China. When the great port of Shanghai passed under their control the Nationalists, flushed with success and encouraged by the

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British attitude, declared their intention of denouncing unilaterally the tariff clauses of the treaties. But the Powers had not quite shot their bolt, and this attempt by the Kuomintang to recover tariff autonomy by a *coup de main* was successfully countered by the leading foreign Governments, who authorized their consular officials in the treaty ports to accept the treaty tariff duties and clear their ships without reference to the Chinese Customs officers. Actually this high-handed proposal, which bristled with potential complications, was in the nature of a bluff that was not called: the threat of consular clearances being sufficient to deter the Nationalists from enforcing their declared intention.

In 1928 the derelict Peking administration finally collapsed and the Nationalist Government, having achieved respectability, established themselves in Nanking as the recognized Government of a nominally united China. The question then arose as to what was to happen as regards the vague admission, into which the Powers had been manœuvred in 1925, that *likin* was to be abolished and tariff autonomy secured in 1929. The answer was supplied when in the summer of 1928 the Americans, who had throughout the controversies and negotiations about the tariff lagged far behind the British Government, suddenly and without warning concluded with the new Nanking Government a treaty conceding unconditionally tariff autonomy as from the 1st of January, 1929.

The British Government, their thunder stolen and their eye wiped by the United States, thereupon entered into negotiations with the National Government, with the result that a treaty was concluded on December 20, 1928, removing so far as Britain was concerned, as from the coming 1st of January, the restrictions on China's fiscal independence. It was by now a race against the clock, and similar agreements were rapidly concluded with the other Treaty Powers, with the sole exception of Japan. The Japanese Government still clung for a time to the old-established policy of conceding nothing to China without an adequate return, represented in this instance by debt consolidation on the Customs revenues

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and tariff concessions to Japan. But finally, finding themselves isolated, the Japanese Government, early in 1930, followed suit and concluded with China the last of the tariff autonomy agreements.

Thus ended the story of China's fight for the recovery of her fiscal independence. It was not one reflecting much credit on any of the Powers concerned, though the British Government could justly claim the merit of having paved the way and been the first to see the light of reason and fair-play. Of all the schemes, negotiations and proposals of the previous years nothing was left beyond a declaration by the Chinese Government of their intention that imported goods should as soon as possible be freed from *likin* and similar internal dues. The astonishing sequel was that in the next few years the National Government carried these assurances into practical effect. The transit taxes, which had been strangling the internal trade of China for near a hundred years, began actually to disappear over large areas. Nor did the Nanking Government abuse their new-found tariff liberty. The import duties were naturally raised. But on the whole the tariff was administered with equity and common sense. The upshot of the whole episode was one of many vindications of the British policy of abandoning the theory of foreign tutelage in the affairs of China and leaving the Chinese to set their house in order on their own account. Unfortunately, the invasion of China by Japan has produced new and unexpected complications in the tariff issue. After the war had been in progress for six months, the Chinese Custom-houses at the more important treaty ports were under Japanese control. The dangers of tariff autonomy to foreign trade lie, not in the administration of the Customs by an independent Chinese Government, but in the control of China by a foreign Power, and the possibility of the manipulation of the tariff in its interest.

CHAPTER EIGHT

THE BOXER INDEMNITY

Amongst the punitive measures imposed by the Powers on China after the Boxer outrages of 1900 was an indemnity for damages sustained and military expenditure incurred. The amount of compensation, liberally estimated by the foreign Governments, was fixed at sixty-seven million pounds, to be paid, with interest at four per cent, in annual instalments; which, running for forty years at compound interest, aggregated a total more than twice as high. The British share amounted to seven and a half million pounds. The debt was secured on the Customs revenues, already partly under foreign supervision and control; and it seemed in those days improbable that China would ever be able to evade the payment of a single dollar of her pecuniary penalty.

But in 1908 the United States, finding they had over-estimated their expenses in the Boxer rising, voluntarily 'remitted' half of their share of the indemnity under an arrangement by which the funds were to be expended on the schooling of Chinese in America and on the endowment of a university to be established near Peking for the education of Chinese students on American college lines. Tsinghua University was thus brought into existence; and these arrangements, working in with the great American missionary effort in the Chinese field, as well as with the beneficences of the Rockefeller Trust, had a potent effect in turning the eyes of the new China towards the United States.

The term 'remitting', used on this occasion for the first time in connexion with the indemnity, but later on to

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become the fashionable phraseology in the similar dispositions of the other Powers, meant, not the handing of the money back to China, but its expenditure by the recipient government on purposes mutually beneficial to China and the foreign Power concerned.

The World War produced for China further windfalls in respect of the indemnity. The opportunity of cancelling the Austrian and German shares was one of the inducements for China to join the Allies in the war. As a further inducement it was agreed that the indemnity payments in respect of the shares of the remaining Treaty Powers should be suspended for five years. The Russian share also soon fell in, when the new Russian Government, after the revolution, renounced the rights and acquisitions of the former Tsarist Government in China.

In 1922 the suspended indemnity payments were due to be resumed. The Treaty Powers were by this time, in the post-war atmosphere of pacificism and international benevolence, beginning to unbend in their attitude towards the Chinese people. The British Government decided to remit the balance of the British share, of which, owing to the vagaries of compound interest, eleven million pounds were still outstanding. But the Chinese Government of those times were not considered worthy of being relieved entirely of their liability; and so they were notified, in December, 1922, of the intention of the British Government to devote the funds accruing from all future instalments of the British share of the indemnity to purposes mutually beneficial to China and Great Britain.

The mills of the British Government grind true but slow; and it took them eight years to decide what the purposes mutually beneficial to China and Great Britain were to be. After three years of departmental and parliamentary delays, an Advisory Committee, under Lord Buxton, was established to consider the question and report. In 1926 this committee sent a delegation, under Lord Willingdon, to China to study the problem on the spot.

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The delegation, headed by Lord and Lady Willingdon, and composed, as to its body, of Chinese and British dignitaries of the cultural and missionary world, passed comet-like across the disordered face of China, synchronizing with the last gestures of the Tariff Conference and the visit of the extritoriality commission. It was an unfortunate coincidence that all these distinguished foreign visitors should have come to China when things were at their worst; in Peking a dying Government; throughout the country banditry and civil wars; and in the south red revolution and rampant anti-foreign hate. Nevertheless the delegation made a conscientious and comprehensive survey of their subject; and eventually, with the assistance of the late Sir Reginald Johnston as their mentor, secretary and guide, drew up a valuable report recommending that the funds should be devoted to cultural, educational and philanthropic works in China; partly by direct expenditure and partly by the creation of an endowment fund invested in China's public works.

Further delays ensued in England owing to changes of government and policies and the troubles and obscurities of developments in China. In 1929 the British Government decided to cut the Gordian knot by handing the moneys back to China on the understanding that they would be devoted by the Chinese Government to purposes in general conformity with the Willingdon report. But further hitches in the negotiations intervened; and in the meantime the claims of British industry to be remembered in the settlement were emphasized by the economic depression of the times. Finally, in September, 1930, agreement was reached with the Chinese Government in regard to the mutually beneficial purposes to which future instalments of the indemnity were to be applied.

Under these arrangements, embodied in an exchange of notes between the governments, the funds were to be invested in Chinese railways and other public works as an endowment for cultural, educational and philanthropic purposes. A Board of Trustees, composed of Chinese and British members,

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was to be appointed by the Chinese Government to control and supervise the funds; and special grants were to be made to two British institutions, the Universities' China Committee in London and the Hongkong University. An important part of the settlement concerned the 'accumulated funds', the instalments which since 1922 had been paid into a special suspense account and which by 1930 amounted to three to four million pounds. These accumulated funds, and half of each future instalment, were to be remitted to London and expended through a 'Purchasing Commission' on the purchase in the United Kingdom of materials and new equipment for the Chinese railways and other public works in China.

There is an inherent contentiousness about most questions concerned with the affairs of China and the matter of the disposal of the remitted Boxer Indemnity funds was no exception to this rule. Argument and controversy on the subject raged for years in the clubs and homes and offices of British circles interested in the fate of China. There were those who argued that the funds, being the property of the British tax-payer, should not have been 'remitted'; others held that the only decent thing to do was to hand all future instalments back to China; others that the money should be spent directly on educational and philanthropic work in China. One school of thought maintained that the British Government should in any case retain strict monetary control; another that the Chinese Government should be entrusted with full control over the funds; and the educationalists complained that the recommendations of the Willingdon report had been departed from.

The settlement, as finally concluded, under a British Labour Government, represented a compromise between these diverse points of view. Control rested between the British and the Chinese Governments, in so far as the instalments continued to be paid from the indemnity account to the British representative, through whom they passed to the Purchasing Commission and the other bodies specified in the exchange of notes,

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for expenditure on the purposes agreed upon under the direction of trustees appointed by the Chinese Government. The Chinese railways, and the interested British bondholders, benefited by the stream of new equipment which was urgently required; the British manufacturers enjoyed large orders and prompt payment; and the Chinese educationalists received their subsidies from the interest accruing out of the endowment fund. Like most of the new arrangements made with Nationalist China, the settlement has since worked satisfactorily and been honourably executed on the Chinese side.

The other Powers still retaining an interest in the indemnity made, sooner or later, similar arrangements according to their lights. The Japanese in 1923 followed Great Britain by announcing their intention of devoting future instalments of their share to cultural purposes mutually beneficial to China and Japan; though the published records do not make it clear whether this declaration was ever carried into practical effect. The United States in 1924 remitted the balance of their share for cultural, educational and charitable purposes. The Russians first grandiloquently renounced their share of the indemnity, which had in fact been used by China after the Russian revolution as security for raising loans; but, not to be outdone by Britain, Japan and the United States, the Soviet Government in the same year, 1924, announced that future payments were to be devoted to education in China under Sino-Russian auspices—a gift which in the circumstances might well turn out to have a double edge. The French share was used, under the ‘Gold Franc’ settlement of 1925, as security for the Gold Dollar loan issued in connexion with the rehabilitation of the French Banque Industrielle. The Belgians made a similar settlement in 1925, combining complicated monetary manœuvres with philanthropic enterprise. And finally the Dutch and Italian Governments in 1933 made arrangements to remit their shares, in the former case for cultural purposes and conservancy and harbour works under Dutch management in China, and in the latter as security for new domestic loans. The

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German and Austrian shares, though cancelled as the result of China's entry into the European War, continued to be treated as part of the original indemnity to meet interest and amortization payments of loans which the Chinese Government had raised thereon. The upshot of it all has been that China pays, and will continue until 1945 to pay, the whole of the indemnity either to herself, or to the foreign Powers, to meet the services of loans, or for cultural and public works in China, in which the foreign Governments concerned are interested.

CHAPTER NINE

THE CUSTOMS, POSTS AND SALT ADMINISTRATIONS

The Chinese Maritime Customs Service is unique and one of the most remarkable institutions in the world. It originated in the disorders of the T'ai-p'ing rebellion, when, in 1854, the Shanghai region having fallen into rebel hands, the British, French and American Consuls found it necessary to take the local Custom-house under their control. The direction of the affair devolved, as usual, upon the British representative, Mr. Wade, who was shortly afterwards succeeded by Mr. H. N. Lay. The Rules of Trade attached to the Treaty of 1858 provided for the uniform levying of Customs dues at all the open ports and for the appointment of foreigners, at the option of the Chinese Government, to assist in the administration of the Customs revenues. The Chinese Government, following the line of least resistance, appointed Mr. Lay to be the first Inspector-General of the new establishment. Mr. Lay was succeeded in 1863 by Mr. Robert Hart, similarly seconded from the British Service. Out of these vague and fortuitous beginnings, as has so often happened in the affairs of China, grew the Chinese Customs Service, over which Sir Robert Hart presided as Inspector-General for nearly fifty years.

The personnel of the service was from the outset international; since the leading Powers concerned with the opening and exploitation of the Chinese Empire would never have allowed one of their number to charge itself with the collection of China's Customs duties. As the ring of the Treaty Powers widened and grew, each nation was able to insist on being represented in the service in accordance with the volume of

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its trade and interests in China. Gradually the service developed and took shape; with commissioners, deputy-commissioners, assistants, tide-waiters and watchers of British, American, Japanese, Russian, French, German, Italian, Austrian, Belgian, Dutch, Scandinavian, Spanish and Portuguese nationality working together under their British chief.

The design and framework of the service were entirely British, and the archives and dispatches in the English language, so far as they were not necessarily rendered in Chinese. The methods of office work and the routine of the administration, as well as the standards of efficiency and honesty, were those of the British Civil Service. In the service list the British element predominated. But British, French and Germans, Russians and Italians, Japanese, Americans and men of all the European nations worked together, and under one another, with astonishingly little friction. The welding of these men of diverse nationalities into an efficient Chinese civil service was the outstanding accomplishment of Robert Hart. And upon this solid and well-constructed base has rested since 1860, and still rests, the foreign trade of China.

The administration of the service was directed by the Inspectorate-General situated in Peking. The revenues were collected at the treaty ports, nominally by Chinese officials, the Customs superintendents, but all the work was done, and every dollar was accounted for, by the foreign commissioners and their foreign staffs. The Chinese superintendents had no say in the administration of the service, in which no Chinese were (until comparatively recent years) employed save in clerical and menial occupations.

At each port the Customs establishment was in charge of a commissioner, the highest rank to which a member of the service could normally aspire. In the years immediately before the war the commissioners included among their number Britons, Americans, Germans, Japanese, Russians, Italians, Dutch and Scandinavians. A British officer, or one belonging to a minor nationality, could count on promotion only through his own merits, and exertions; but an American,

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German, Frenchman, Japanese, Russian or Italian had always before him the possibility of promotion accelerated by the influence of his Legation, especially if his particular nationality happened to be inadequately represented in the higher ranks. Yet, in spite of these inherent obstacles and faults, the service worked efficiently and was indeed an object lesson in international co-operation. A German commissioner at a treaty port would address his dispatches couched in British official phraseology to the Inspectorate; where they might be entered by a Russian junior, minuted by a Frenchman or American, carried down the corridor by a Chinese or Portuguese, and finally dealt with by a British chief.

The first breach in this relatively happy Customs family came with the war, when, with China still a neutral, the amenities of life in the Customs establishment were strained by the enmities of the warring nationalities. After China had joined the Allied ranks, the Germans and Austrians were summarily expelled; and later on the Russians found their position difficult. The next big change occurred more gradually, with the inevitable 'sinification' of the service to meet the rising pressure of Chinese nationalist feeling. By the nineteen-thirties the service list showed in the higher posts men of British, Japanese, American, French, Italian, Belgian, Dutch and Chinese nationality. But, save for the elimination of Germans, Austrians and Russians, and the introduction of a Chinese element, the constitution of the service retains to this day the international character of its original construction.

Sir Robert Hart's position was as remarkable as the service he directed. He ordered every departmental detail, including appointments and promotions of the staff, without reference to his employers, the Government of China. His powers were practically absolute, and no appeal lay to higher authority against his orders and decisions. If any member of the service, from tide-waiter to commissioner, felt himself aggrieved, he had no redress beyond complaining to his

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Minister or Consul; who might or might not raise the matter through diplomatic channels with the Chinese Government. Yet in spite of his independent and dictatorial position, Sir Robert Hart was solely the servant of the Chinese Government; and under his direction any tendencies on the part of individuals to serve their national interests were tactfully but effectively suppressed. Under the Hart régime the Chinese Customs service functioned first and last in the interests of the Government of China.

For the first forty years of its existence the foreign interest in the Chinese Customs service was concerned solely with the honesty and efficiency of its machinery in levying the treaty tariff duties on the foreign trade of China. But later on this foreign interest became extended to the revenues themselves. The Anglo-German loans of 1896 and 1898 were the forerunners of many other loans secured on the Customs revenues of China; and it was laid down in these two loan agreements that the Customs administration should, during the currency of the loans, remain unchanged. In 1898, during the scramble for political and economic rights, the British Government, alarmed at the designs of Russia, secured from the Chinese Government an assurance that the Inspector-General of the service would continue to be a British subject as long as British trade predominated in China. In 1901 the Customs revenues were further hypothecated as security for the payment of the indemnity exacted by the Powers. An Indemnity Commission of foreign bankers came into existence for the safeguarding of the necessary funds; and for many years thereafter the supervision of the payment of 'The Loan and Indemnity Services' out of the Customs revenues was one of the most sacred functions of the Diplomatic Body.

From the time of its birth in the sixties of the nineteenth century down to the year 1906 the Customs administration was under the nominal control of the Chinese Foreign Office (the *Tsungli Yamen*, later the *Wai-Wu-Pu*). In the latter year it was by Imperial Decree placed under the direction of a new board, the Revenue Council (*Shui-wu-Ch'u*), created

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for the purpose. In those days the idea of Chinese interference with the Chinese Customs was only less shocking to the British Government than that of interference by another Power; and the new development was greeted by His Majesty's Legation with head-shaking and doubt. But in the result the *Shui-wu-Ch'u* proved as innocuous, or nearly so, as the Chinese Foreign Office. China had scored the necessary 'face', the Customs continued to be directed by the Inspector General, and all concerned were satisfied.¹

The revolution of 1911 rocked but did not wreck the Chinese Customs; and, curiously enough, one of the results of China becoming a republic was considerably to strengthen the foreign hold over the Customs revenues. In order to prevent the Customs funds from falling, as they were collected at the treaty ports, into the hands of rebels and revolutionaries, thus possibly imperilling the service of indemnities and loans, arrangements were concluded under which the Customs revenues were remitted to Shanghai and there paid into the leading foreign banks, where they were placed under the control of the Inspector-General of Customs and the Diplomatic Body. These arrangements, acquiesced in by the Chinese Government during the turmoil of the revolution, were continued for many years after the circumstances which gave rise to them had passed. They altered the whole status of the Customs revenues, the rights and interests of the Diplomatic Body and the foreign banks, and the position of the Inspector-General.

Under the arrangements made in 1912 the Customs revenues collected at the treaty ports were remitted to Shanghai and there lodged in the foreign banks (known as the 'Custodian Banks'), charged with the supervision of the service of indemnities and loans. As and when a surplus was available after meeting all the obligations charged upon the revenues, the Chinese Government applied to the interested Powers for a 'release'; which, after being duly sanctioned by the

¹ The Customs remained under the Revenue Council until, in 1928, it became a department of the Ministry of Finance.

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Diplomatic Body, was made to them by the Inspector-General. Some of the foreign governments, such as those of Britain and America, could be trusted not to abuse a system which placed under foreign management the principal revenues of China. Unfortunately the same could not be said of all the interested foreign governments; and the practice grew up of holding up 'releases' with ulterior and irrelevant political objectives. The system also altered the status of the Inspector-General, who ceased to be primarily a servant of the Chinese Government, but became also a trustee for the foreign governments and interests concerned.

During the political disorders of the post-revolution years the foreign supervision over China's Customs revenues was not without material advantage both to China and the foreign interests concerned; since it prevented the appropriation of the funds by warring factions and their dissipation for purposes of civil war. But as the situation crystallized into a conflict between the southern Kuomintang, seeking the consummation of the arrested revolution, and the reactionary northern war-lords grouped round the fading Peking Government, the strain imposed upon the Customs Service became increasingly apparent. At the treaty ports, some of which, including Canton, were under the control of the southern revolutionaries, the foreign Powers protected, if necessary by naval demonstrations, the integrity of Customs funds; yet the same funds, remitted to Shanghai, and ultimately released in part to the recognized Government of China in Peking, were utilized by the latter in their wars against the south.

It was in these circumstances not surprising that the very existence of the Customs service was imperilled when the Chinese Nationalists in 1927 launched their attack on foreign treaty rights and privileges. And it was only when the revenues were removed from the control of foreign banks and foreign governments that the service and the Inspector-General regained the confidence and support of the Chinese people and their government. Again in this instance a wise lead was given by the British Government, who realized the

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dangers of seeking to perpetuate against the rising spirit of the Chinese Nationalists a system that was out of date.

The post of Inspector-General of Chinese Customs calls for the highest qualities of integrity, industry, intelligence, courage, personality and tact. These have usually been forthcoming in full measure. During the eighty years of its existence the service has had four Inspectors-General; and in each case the succession was accomplished only after acrimonious controversy. The reign of Mr. Lay was but an overture. Sir Robert Hart, appointed in 1863, finally left China in 1908. His nominee and deputy, Sir Robert Bredon, was not acceptable to British interests, and there ensued for two years an interval of negotiation, doubt and hesitation, during which the 'Customs Succession' dossier in His Majesty's Legation grew to formidable heights, until Mr. (later Sir Francis) Aglen succeeded to the post.

Sir Francis Aglen administered the Customs service from 1910 to 1927. These years were the most turbulent in China's modern history, embracing the revolution, the long-drawn era of disunity and civil war, the rise of Chinese nationalism and the conquest of all China by the Kuomintang. That the Customs service weathered these years of storm and stress was due in no small measure to the character of Sir Francis Aglen, who, if he lacked the imagination and elasticity of mind of his distinguished predecessor, embodied those solid virtues of integrity and single-minded zeal which are the special attributes of the successful British administrator overseas. To all who knew him Sir Francis appeared a tower of rugged strength in the successive storms of revolution, civil war and nationalist agitation which beat about the Customs during those troubled years.

Yet finally Sir Francis Aglen fell a victim to the difficulties and disorders of the times. As Inspector-General during and after the revolution he became by force of circumstance associated with the policy of control of Customs funds by foreign governments. He early realized the danger of converting the Chinese Customs into a foreign institution,

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collecting revenues for foreign bondholders and their governments; and it was under his guidance and at his inspiration that the Customs took under their wing the load of domestic Chinese bonds. These loans, floated by a succession of ephemeral administrations during the era of political disorder, were worthless unless they were secured on surplus Customs funds, the only revenues on which (because they were protected by the foreign interest) the Chinese Central Government could count. But once these native loans were so secured, Chinese and foreigners, banks and business men, snapped up the issues hungrily. The time came when the Peking Government, living from hand to mouth, were dependent for their everyday expenditure on the recurrent issues of new internal loans; thus mortgaging the future and at the same time becoming increasingly dependent on their servant the Inspector-General and the latter's real masters, the diplomatic agents of the foreign Powers.

Sir Francis called these Chinese loans his 'anchor', because they were taken up by Chinese banks and business houses and because through them alone was a genuine Chinese interest anchored in the Customs revenues. But when the nationalist typhoon burst over China the anchor of Sir Francis dragged.

The year 1927 was one of crisis for the Customs service. The Kuomintang, marching with their revolutionary armies victoriously north, had overrun half China and reached the Yangtze Valley and the Central China treaty ports. The new Nationalist Government established at Hankow denounced the Customs not only as 'running dogs' of foreign interests, but also as the chief financial prop of their enemies, the northern war-lords, who still controlled the recognized Government of China seated in Peking. And they threatened to seize the Custom-houses at the ports under their control, and to appoint, from amongst the more complaisant of the foreign commissioners, their own Inspector-General.

Sir Francis Aglen journeyed to Hankow, to beard red revolution in its den and seek to come to terms with the new Nationalist Government. As is invariably the case in China,

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he found the revolutionaries much less alarming than the pictures painted of them in the Press; and he might have been able to elaborate some compromise solution of the difficulty. But the Peking administration, almost at its dying gasp, professed to take offence at the Inspector-General dealing with their enemies. Sir Francis Aglen was summarily dismissed, and the crisis in the Customs service seemed to go from bad to worse.

The officer nominated by Sir Francis Aglen and selected by the Peking Government, with the approval of the British Government, as his successor was not acceptable to the Kuomintang, who were now winning all along the line, and, determined to press their advantage to the full, insisted on making their own appointment to the post. Fortunately for all concerned their choice fell on Mr. (later Sir Frederick), Maze the senior serving British commissioner, who happened to be stationed at Shanghai, by that time under Nationalist control. Sir Frederick, backing the Nationalist horse, signified his willingness to serve the new government as Inspector-General. The British Government wisely accepted a situation which could no longer be controlled. The Peking Government finally collapsed, and in 1928 Sir Frederick Maze became Inspector-General of Customs for the new National Government seated in Nanking.

The situation of the new Inspector-General was delicate and difficult. He had at the outset almost everything against him, including the veiled hostility of an influential section of local British interests; and behind him only the mandate of a revolutionary faction discredited in foreign eyes by the excesses of the previous year. But Sir Frederick Maze's estimate of the position proved correct. The outcast Kuomintang became the recognized government of China. And it was not long before the new Inspector-General, by his skill in adapting the Customs service and his own position to the novel and more difficult conditions of Nationalist China, succeeded in winning the confidence, approval and

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support both of the Chinese Government and of his own authorities.

The Customs have for eighty years been the financial mainstay of the Chinese Government. Since tariff autonomy has been achieved the revenues collected annually have grown in volume from sixty to over two hundred million *taels*.¹ The functions of the Customs pervade the relations of China with the western world. As well as collecting at the treaty ports the Customs and tonnage dues on China's foreign trade, the Inspector-General and his officers control a fleet of Customs cruisers and preventive vessels for the protection of the revenue afloat. And they are responsible for the lighting and buoing of China's coasts and inland waterways, a task involving the most onerous of responsibilities and one which is carried out to the satisfaction and admiration of foreign shipping interests.

The Customs administration is now a branch department of the Chinese Ministry of Finance. The Customs revenues are banked at the disposal of the Chinese Government, who discharge their obligations secured on Customs funds and appropriate the surplus for their own requirements. The Inspector-General, deriving his authority from the Chinese and not from any foreign government, continues to direct the service, but under the orders of the Ministry. The foreign staff still supervise the collection of the revenues; but Chinese are now admitted, side by side with Europeans and Americans, to the higher ranks of the executive administration. The Chinese Government control their Customs; but they have the good sense to realize that the machine, so solidly constructed by Sir Francis Aglen and Sir Robert Hart, is worth preserving; and they are doubtless thankful, in view of what has happened since, that it has been preserved.²

¹ The *tael*, now abolished, was worth about three shillings.

² Written in 1937.

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2

The Chinese Post Office is the offspring of the Customs and one that has done credit to its venerable progenitor. Created by Imperial Decree in 1896, the postal service was organized as a branch of the Customs by Sir Robert Hart, who functioned thereafter as Inspector-General of Customs and Posts.

In 1898, when the foreign Powers were busy staking out their claims, and after Britain had obtained from China the assurances regarding British direction of the Customs service, France demanded and secured a similar undertaking that when the Chinese Government came to organize a definite postal service they would take account of the recommendations of the French Government in respect to the selection of the foreign staff. This cryptic formula was meant to indicate that the post office would be under French, just as the Customs were under British, supervision and control; and in accordance with these assurances a French Commissioner of Customs, M. Piry, was appointed by Sir Robert Hart to be Postal Secretary in the Customs administration under the Inspector-General's direction.

In 1911 the Chinese Post Office was removed from the control of the Customs and became an independent department under the Ministry of Communications. M. Piry was then appointed Postmaster-General in accordance with the assurances given to France in 1898.

But the ferment of Chinese nationalism was already stirring; and it was not long before the idea of a foreign Postmaster-General seemed to the Chinese reformers more than a little inappropriate. In 1917 there was a further reorganization of the postal service; when Piry's successor, another Frenchman, M. Destelan, became Co-Director-General, functioning in nominal collaboration with a Chinese chief.

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The régime of M. Destelan as Co-Director-General lasted for twelve years and under it the Chinese Post Office continued to flourish and to develop its revenues, resources and far-flung postal services. In general the framework of the administration, directed from head-quarters in Peking, was a French one, corresponding to the British framework of the Customs service. In the provinces the postal districts were controlled by Postal Commissioners of foreign nationality, Frenchmen, Britons, Americans, Scandinavians, Italians, Russians and Japanese.

China has on the whole been fortunate in her foreign employees; of whom none have rendered more loyal and devoted service than the Commissioners of Posts. Somehow or other they succeeded in instilling into their Chinese subordinates the same spirit of service in the public interest; so that the Chinese Post Office became, by Chinese standards, a model of integrity, efficiency and zeal; maintaining and strengthening its reputation through the long years of revolution, banditry, and civil wars.

In spite of the admitted efficiency and reliability of the Chinese Post Office, and of the fact that China became in 1914 a member of the Postal Union, the leading foreign Powers maintained, until 1923, their own post offices in Peking and at the larger treaty ports. In the case of Britain, the functions of the British Consuls used to include the supervision of the local British post offices established at the China ports as branch offices of the Hongkong administration; while in Peking a military postal agency functioned on the premises of the Legation Guard. Similar arrangements existed in the case of France, Japan, Germany, Russia and America; though the latter maintained a post office only at Shanghai; while Russia and Germany abandoned their agencies when they lost their treaty rights.

These foreign post offices, established in the early days when there were no other postal communications between China and the West, had long outlived their usefulness; except that they enabled the local foreign residents to communicate

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with their homelands at domestic instead of foreign rates; thus incidentally robbing the Chinese Post Office of a portion of its revenues. For years the foreign agencies continued to exist, side by side with the generally more up-to-date and efficient Chinese Post Office, through the sheer weight of inertia, which has been so potent a factor in the affairs of China; because the Chinese did not clamour loudly and insistently enough for their withdrawal.

But with the awakening of Chinese nationalism the withdrawal of the foreign post offices (which had in fact grown up without being rooted in any treaty right) became one of the standard demands of the agitation for the recovery of sovereign rights. The Chinese raised the matter at Versailles, where they were told not to be irrelevant; and again at Washington in 1921, where they scored on this head one of their few successes. Britain, France, Japan and the United States, the Powers which still retained their post offices in China, agreed to abolish them on the condition that China maintained an efficient postal service and on the understanding that no change was contemplated in the status of the foreign Co-Director-General of Chinese Posts. The foreign post offices were, in accordance with these arrangements, withdrawn from China early in 1923.

China can claim to have carried out the first of the Washington conditions and to have maintained to the best of her ability an efficient postal service. But the second condition, regarding the maintenance intact of the authority of the foreign Co-Director General, soon ran athwart the rising flood of Chinese Nationalist agitation.

The position of the French Co-Director-General, shaken by the turmoil of 1926 and 1927, became, with the establishment of the Nanking Government, increasingly difficult and delicate; and when M. Destelan resigned in 1929 the National Government, flushed with the success of their drive against the Unequal Treaties, craftily promoted a Norwegian Postal Commissioner to be Co-Director-General in his place. This gentleman, who suffered from ill health, was soon relegated

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to the background; the post of Co- was changed to that of Deputy Director-General; and when the foreign holder of the post was forced by ill health, a year or two later, to resign, a Chinese was appointed in his place.

The foreign Powers have no treaty or contractual rights in connexion with the Chinese Post Office other than the understanding concluded with France in 1898 and the assurances given by China at Washington in 1921. Whether or not the French Government protested when these were set aside, Britain at any rate tacitly acquiesced in the resumption by China of full and unfettered control over her postal service. Some forty foreigners, including Frenchmen, Britons, Japanese, Americans, Italians and representatives of the smaller nationalities, are still employed as Postal Commissioners and in the higher ranks of the executive administration; but they work with and under Chinese officials and Chinese Government control. The efficiency of the service may have deteriorated since the removal of the foreign head; but, by and large, the Chinese Post Office continues to justify its reputation for reliability, integrity and enterprise.

Young China, suffering from the inferiority complex of the Unequal Treaties, used to include the Chinese Post Office as one of the preserves of foreign privilege serving as targets for agitation and abuse, and in 1927, the year of red riot and anti-foreign hate, the postal establishments, situated, as many of them were, outside the areas of the treaty ports, suffered severely from the attacks of Communistic agitators and revolutionary fanatics. But, in reality, the Chinese have had little reason to complain (apart from the matter of the foreign postal agencies) of foreign interference in the postal sphere. The French claim to dominate the postal service, staked out against emergencies in 1898, was not in the result abused; and the foreign control, such as it was in the early days of the administration, was never exercised to China's detriment, but to build up and educate an honest and efficient postal staff. Sir Robert Hart, and Destelan and Piry, and British Postal Commissioners of the calibre

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of Ritchie and McLorn, have done for China yeoman service in creating a postal administration of which the Chinese have every reason to be proud. Letters, parcel post and money orders are conveyed by railway, steamship, motor-car and aeroplane, foot-couriers, camels, mules and ponies, from the coast through the mountainous interior to the confines of Tibet, Mongolia and Turkistan. Many of the postal lines would be difficult to trace on any European map of Eastern Asia. And even in times of civil war and brigandage the percentage of losses is extraordinarily small. Somehow or other the mail runners of the C.P.O. manage nearly always to get through. Considering the circumstances in which it has to function, and the difficulties and obstacles, geographical, physical and political with which it has to deal, the Chinese Postal Service will stand comparison with that of any country in the world.

3

Civilized man cannot dispense with salt; and from the earliest times the rulers of Asiatic Empires have found that the taxation of the trade in salt is one of the surest sources of state revenue. In the days of the Chinese Empire, salt was, and under the Republic still remains, a Government monopoly; and in the early treaties concluded with the foreign Powers it was agreed that all import and export trade in salt should be prohibited.

The foreign interest in the salt revenues of China arose out of the Reorganization Loan of 1913: a loan of £25,000,000 negotiated with the banks and Governments of Britain, Japan, Russia, France and Germany to enable Yuan-Shih-k'ai to reorganize the new republic after the disorders of the revolution. The Customs revenues being in those days insufficient, after provision had been made for the existing obligations, to offer adequate security for yet another loan, the foreign bankers turned to the revenues obtainable from the salt

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monopoly as an alternative and additional security. But the salt revenues, collected by local authorities in the provinces, were vague and hypothetical; and a Chinese promise to pay out of specified but hypothetical State revenues was not sufficient for the foreign bondholders and banks. China was still in those days prepared to accept the tutelage of foreign Powers; and it was considered proper to establish adequate control by foreign interests over the collection and banking of the funds pledged for the service of the loan.

It was in these circumstances that Article V of the Reorganization Loan Agreement came to provide for the reorganization, with the assistance of foreigners, of the system of collecting the salt revenues of China and for the establishment of the Chinese Salt Administration, under Chinese and foreign chief inspectors at head-quarters in Peking, and Chinese and foreign district inspectors in each salt-producing area. The revenues collected by the new administration were to be lodged in designated foreign banks, in an account to be drawn upon only by the chief inspectors, whose duty it would be to protect the priority of the obligations charged upon the funds.

These obligations charged upon the salt revenues were not in fact confined to the new loan. The Anglo-French Loan of 1908, and the Four Power Hukuang Railway Loan of 1911, and other lesser obligations, some of obscure and doubtful reputation, were already charged upon the salt revenues. And in 1912, while the officially supported negotiations for the Reorganization Loan lumbered on their way, Mr. Crisp had audaciously stepped in with the 'Crisp Loan' of that year and snatched a prior charge upon the salt revenues out of the clutches of the Consortium. The Reorganization Loan was secured on both Customs and salt revenues. At the time it was negotiated it was dependent on the latter. But as the Customs revenues increased and were freed by the paying off of earlier obligations, they were able amply to cover the service of the Reorganization Loan; which has thus for many years been entirely charged upon the Customs funds; so that its bondholders are nowadays

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only academically interested in the offspring of their loan, the modern Chinese Salt Gabelle.

The question of the nationality of the foreigner who was to be appointed Associate Chief Inspector of the new Chinese Salt Administration gave rise to the usual manœuvres and negotiations between the interested governments and banks. The British Legation finally carried off the prize, Germany, France, Russia and Japan having to rest content with lesser posts. In accordance with these arrangements Sir Richard Dane, a distinguished official of the Indian Service, arrived in 1913 in China as Associate Chief Inspector of the Chinese Salt Gabelle.

Sir Richard Dane found in the existing salt revenue arrangements an Augean stable of corruption and inefficiency; and he immediately applied his vigorous personality to the task of creating a Salt Administration leavened with foreigners on the lines of the Customs and postal services. In those days the China of Yuan Shih-k'ai was still relatively orderly and the Government capable of governing; and the energetic efforts of Sir Richard Dane were soon rewarded with results. The framework of the new administration was naturally British, and the staff of the Chief Inspectorate were taught the routine of a department of the Indian Civil Service. But the foreigners recruited as district inspectors for the salt-producing areas included the usual miscellany of Britons, Americans, Frenchmen, Germans, Russians, Japanese and men of the lesser European nations. Under the able guidance of Sir Richard Dane they and their colleagues rendered loyal and efficient service, often in circumstances of difficulty and even danger; and almost from the outset the revenues poured in a golden, or rather silver, stream into the foreign banks. The receipts soon came to exceed the total of the Customs revenues; and, since the foreign obligations absorbed only a fraction, the salt funds became the financial life-line of the Peking Government.

But the foreign banks and governments had overplayed their hand as regards the arrangements for security and

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loan control. These stipulated that the salt revenues should be paid into the banks and released to the Chinese Government after provision had been made for the foreign obligations. The same situation, but with its evils accentuated by the circumstances, arose as in the case of the Customs revenues, the custodian banks, the Inspector-General and the Diplomatic Body. The Chinese Government, in those days relatively amenable, had to make periodic application to the interested foreign ministers for releases of their own salt revenues; and certain of the foreign governments soon found it advantageous to withhold their sanction to releases until their demands, often irrelevant, were satisfied. Moreover, while the Customs revenues, collected at the open ports, were relatively easy to control, the salt revenues, accruing in the salt-producing districts in the far interior, were generally beyond the reach of the agents and armed forces of the foreign governments. As China lapsed more and more into civil wars and political disunion the various regional authorities refused to permit the stream of salt revenue to flow from their jurisdictions to the capital; where the funds would be lodged in foreign banks for the enrichment of a Central Government with which they might be at issue or at war. For years a rain of futile foreign protests descended on a Chinese Government quite incapable of enforcing the provisions of the Loan Agreement. Year by year things went from bad to worse; until by the middle of the nineteen-twenties the salt revenues had nearly vanished with the dissolving Peking Government.

In the meantime Sir Richard Dane retired; to be succeeded for a space by another British officer from India, Sir Reginald Gamble, who was in turn succeeded by Sir Ernest Wilton, seconded from the British foreign service, and Mr. Hussey-Freke, at one time a Commissioner of Chinese Customs. It was under the régime of Mr. Hussey-Freke, who administered the service from 1926 to 1931, that the affairs of the administration flowed to their lowest ebb. The authority of the Peking Government hardly extended beyond the city

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walls. The revenues, detained nearly everywhere by regional authorities, scarcely sufficed to meet the expenses of the administration. The loans passed into default and the new Nationalist Government of the Kuomintang, struggling to establish themselves in Central China, denounced the Salt Administration as a foreign instrument used by the imperialists for foreign ends.

The crisis came with the final dissolution of the Peking Government in 1928, when the future of the Salt Administration hung in the balance for some months. The Kuomintang had shown their suspicion and hostility towards the foreign staffed departments of the Chinese Government and had singled out the Salt Collectorate as the special object of attack. And the foreign Governments, following the lead of Britain and America, had clearly demonstrated their intention of giving the Nationalists their head. But, having become the recognized Government of China, the Kuomintang acquired a new outlook towards the vexed question of the centralization of the revenues. They stood, like their predecessors, in urgent need of funds; and they had the good sense to preserve for their own use a machine which had proved its efficiency in the collection of the revenue. The Salt Administration, under its Chinese and foreign chief inspectors, continued to function as before, with the important exception of the arrangements for the banking of the funds. Instead of all the revenues being lodged, according to the provisions of the Loan Agreement, in the foreign banks, only a sufficient percentage to meet the foreign obligation was henceforward paid into the foreign loan account, the balance of the funds being disposed of by the Chinese Government. Britain and the other interested foreign Powers fired in their final protest against this tearing up of the relevant provisions of the Loan Agreement and thereafter wisely washed their hands of the Salt Administration and its revenues. With the resignation, in 1931, of the British Chief-Inspector, Mr. Hussey-Freke, the last link with the arrangements of the Reorganization Loan were severed. The National Government appointed an American, Mr. Cleveland, in his place;

The Customs, Posts and Salt Administrations

and the affairs of the Salt Administration passed under full and unfettered Chinese Government control.

The results of these changes were not unsatisfactory for the foreign interests concerned. As the influence of the National Government spread through the country, the salt revenues began again to flow into the Treasury. The new 'quota' system operated reasonably well, and the salt loans, which had fallen into default and disrepute, were rehabilitated by regular payment of principal and interest.

The collapse of the Reorganization Loan machinery for collecting China's salt revenues on behalf of foreign bondholders was an inevitable outcome of the era of political disunion and the final victory of the Kuomintang. The Chinese were well served by Sir Richard Dane, and his successors and coadjutors, who created the Salt Revenue Administration. But the time came when the position of these foreigners, engaged partly to serve the Chinese Government and partly to protect the interest of foreign bondholders and banks, came into collision with the susceptibilities of Chinese nationalism. It was this dual role assigned to the foreign employees which in the later years of the history of the Administration attracted the suspicion and hostility of the Chinese Nationalists. Once the interested Chinese Government departments were satisfied that they were hiring the services of the foreigners on their own account, they were glad enough to avail themselves of foreign assistance and advice.

Since the above chapter was compiled the Customs, Posts and Salt Administrations, disrupted by the invasion of China by the Japanese, face yet another crisis and one more threatening than any with which they have been afflicted in the past; and if the frameworks of these admirable services survive, it will be due to the foreign personnel, against whom the extremists of the Kuomintang used in former days to agitate so bitterly. The majority of the revenue-producing Customs ports are, at the time of writing, under Japanese control. During the troubled years since 1911 the Inspector-General of

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Customs and his foreign staff learned how to steer a neutral course through all the storms and turmoil of Chinese civil wars, yielding where necessary to *force majeure* and continuing to levy and collect the tariff dues in accordance with the circumstance of time and place. Now the revenues, collected by the foreign Customs officers, are being banked by Japanese, pending the recognition by Japan of a Chinese Government acceptable to her military chiefs. The Japanese authorities have signified their readiness to set aside a *pro rata* proportion of the necessary funds for the service of the foreign indemnities and loans; arrangements which may satisfy the holders of Chinese Customs bonds but rob the Chinese Government of nearly all their surplus Customs revenues.

CHAPTER TEN

THE TREATY PORTS

Under the old treaties (still for the greater part in force) only missionaries amongst foreign nationals in China may reside permanently in the interior. Merchants and others may, in accordance with their treaty rights, travel to the farthest confines of the provinces, but they may only reside permanently at the open ports. These restrictions are the logical concomitant of extrterritoriality: China insisting that the foreign residents enjoying immunity from Chinese jurisdiction should be grouped together in specific areas. The missionaries alone are privileged by treaty to 'have it both ways', enjoying all the advantages of extrterritoriality without being restricted to the treaty ports: a relic of the times when it seemed proper to lend the diplomatic strength of European Governments to support the propagation of Christianity in eastern lands. It is vaguely understood that the Chinese Government will throw the country open to foreign residence as soon as extrterritoriality has been abolished, but this theory is in turn complicated by the restrictions placed on Chinese immigration by the Governments of the British Dominions and America. And the Chinese, after their experience of the Unequal Treaties, are not going to be victimized again by the vagaries of the Most Favoured Nation clause.

A *treaty port* in China is a place opened to foreign residence and trade by agreement between the Chinese and a foreign government. There are also a number of other open ports, some opened by mutual arrangement and others by China of her own volition. In all there are two to three dozen open ports in China, the status of some of which is vague and

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controversial. Amongst the more important and old-established treaty ports, reading along the coast from south to north, are Canton, Swatow, Amoy, Foochow, Ningpo, Shanghai, Tsingtao, Chefoo, Tientsin and Newchwang; and, going up the Yangtze Valley, Chinkiang, Nanking, Wuhu, Kiukiang, Hankow, Changsha, Ichang and Chungking: strange and outlandish names, which for the most part mean nothing to the world at large, but which are household words to the British and other foreign residents in China.

A few of these treaty ports have developed into large centres of industry, commerce and finance. But most of them are still but placid backwaters in the stream of China's foreign trade, where the small communities of foreign residents spend sheltered, isolated lives, largely unaffected by the stream of world events. At each small port the kernel of the community consists of the agents of Jardines and B. and S., the A.P.C. and B.A.T.¹, the Commissioner of Customs, and, if the place is sufficiently important, the consular representatives of the leading foreign Powers. Formerly the best site in the place would probably have been occupied by the British Consulate, with the Consul acting as leader, guide and shepherd to his little flock. But nowadays, with the tendency of trade in China to concentrate in a few of the larger ports, many of these British Consulates are empty or have been sold to other occupants. At the river ports a British gunboat, with its cheery personnel of officers and crew, would be a frequent visitor. Life in the smaller treaty ports is often monotonous and featureless. But there are compensations; a winter climate, in South and Central China, resembling that of Southern Europe; a summer fiercely hot, but, for the East, of relatively brief duration; office work of not too exacting nature and affording usually ample leisure for such opportunities of sport and play as might be locally available; possibly good shooting, pheasant, snipe and duck; a well-run British club; and cheap and easy

¹ Jardine, Matheson & Company; Butterfield & Swire; the Asiatic Petroleum Company; and the British & American Tobacco Company.

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living, with the good-natured and industrious Chinese always at beck and call.

At some of the older treaty ports there are, or were, foreign concessions and foreign settlements. A *Concession* is an area at a treaty port which has been leased in perpetuity to a foreign Government for occupation by its nationals. A *Settlement* is an area at a treaty port set aside by the Chinese Government in which foreigners may reside and acquire land. In the case of both settlements and concession areas administrative authority is exercised by the foreign Power or Powers; either by specific or prescriptive right. But the Chinese within these areas remain under Chinese jurisdiction; Chinese offenders being handed over to be dealt with by the Chinese courts. In the case of a concession the land is leased in lots to the occupiers by the foreign Government concerned. In the case of a settlement the foreign property owners (or perpetual lessees as they must be in China) acquire their land by purchase from the Chinese owners and hold it under titles issued by the Chinese land authorities.¹

There are a Foreign Settlement and a French Concession at Shanghai,² British, Japanese, French and Italian concessions at Tientsin; French and Japanese Concessions at Hankow; British and French Concessions at Canton; and a Foreign Settlement on an island off Amoy. The German, Austrian and Russian Concessions reverted to China as the result of the European War; Britain has retroceded to China a number of her former concessions at the smaller treaty ports; and Belgium similarly surrendered voluntarily her one and only concession at Tientsin. The United States pride themselves on owning no concessions; though they participate in the control of two foreign settlements. This

¹ The right of the foreigner to acquire land at a treaty port is not, however, confined to the settlement or concession areas. He may, in the view of the interested foreign Governments at any rate, acquire land anywhere in and around the treaty port; though the Chinese authorities intermittently attempt to restrict this right to certain areas.

² The French controlled area at Shanghai is actually a settlement; but it has always been known as 'concession Française'.

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completes the tale of the concessions and settlements at the Chinese treaty ports, excluding the railway settlements in Manchuria, which constitute a separate problem now disposed of by the creation of Japanese-protected Manchukuo.¹

The British Concessions were acquired after the war of 1860, by the negotiation of lease agreements between the British Consuls and the local Chinese territorial authorities. The latter were in those days glad enough to see the foreigners segregated in small areas where they could be left to their own devices, managing their own affairs. Thus out of small beginnings grew the foreign concessions at the treaty ports, until they developed into European townships on the soil of China, withdrawn from Chinese Government control. Like so many of the other rights and privileges of the Unequal Treaties, the concessions were almost essential in the early days; when, owing to the medieval state of China and her Government, it was natural and proper for foreigners to exercise administrative control, in matters such as road up-keep, police and sanitation, in the areas in which they lived. But, later on, as the Chinese became more modern and adapted their habits and methods of administration to the models of the West, the retention of rights of administration over the smaller concession areas became for the foreigners largely a question of prestige, custom and amenity.

The leading British merchants would be members of the B.M.C.,² running their own show with business-like efficiency and without the interference of officialdom; levying rates and taxes, drawing up by-laws for local government, maintaining roads and sanitation services, and controlling perhaps a local volunteer corps, as well as a small police force of Sikh and Chinese constables under a British officer. At the annual meeting, with the Consul in the chair, the rate-payers would voice their grievances. The B.M.C. would bear a strong resemblance, in personnel and methods, to

¹ The Japanese recently announced their intention of surrendering not only the railway settlements, but also their extraterritorial rights, to the Government of Manchukuo, which they in fact control.

² British Municipal Council.

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the local club committee; transacting public business conscientiously, but in an atmosphere of pleasant informality. Life in the concession, under B.M.C. and Consul, would be easy and democratic, free of the frills and pedantries of British Crown Colony existence. Only an occasional concession riot would disturb the placid surface of municipal activities; when a policeman punched or poked a coolie in some part of his anatomy which turned out to be the solar plexus of the oriental. It was all very pleasant, rather sleepy and apparently innocuous, until the rude awakening caused by the boycotts and disturbances of 1927.

To the Chinese, on the other hand, the settlements and concessions developed into concrete symbols of China's national humiliation and subjection by the foreign Powers, so that they became, during the drive of the Nationalists against the Unequal Treaties, one of the principal targets of agitation and attack. The existence in Chinese territory of these foreign-controlled enclaves was a source of constant irritation to Chinese Nationalist feeling; out of proportion in most cases to their prejudice to China or their value to the foreigner. The Chinese alleged that the foreign concession and settlement authorities abused their rights and privileges by harbouring criminals and political undesirables, and sheltering nefarious traffics and activities, in contravention of the laws of China—charges of half-truth which could only be substantiated to a limited extent in the case of certain foreign Governments. The foreigners, on their side, claimed (as in the case of extraterritoriality) that the foreign-controlled areas were essential to their well-being and security: and pointed out that Chinese flocked in tens of thousands into the foreign sanctuaries, and that nine out of ten prominent Chinese generals and politicians had their established 'funk-holes' in the foreign areas. But the Chinese objection to the settlement and concession areas was none the less real for being mainly psychological.

Hankow is one of three huge Chinese cities (Wuchang and Hanyang being the other two) lying at the junction of the

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Han and Yangtze rivers in the heart of Central China. Below the native city of Hankow, along the river bank, there used to stretch the concessions of five nations, British, Russian, French, German and Japanese: each one a narrow strip a few hundred yards across: so that one could stroll in half an hour from the teeming alleys of the native city, past the trim orderliness of Britain and the redolent tea factories of Russia, and through sections of provincial France and imperial, rococo Germany, down to the empty streets of Westernized and parvenu Japan, beyond which lay only a factory or two amongst the bogs and rice-fields of a Chinese countryside. After the European War the Russian and German Concessions reverted to Chinese control: leaving the British, French and Japanese Concessions divided from one another by intervening strips of Chinese territory.

The British Concession, next to the native city, was the foreign business centre of Hankow: containing the leading banks and firms and shipping offices, and serving as a corridor between the river wharves lining the concession areas, and the human anthill represented by the Chinese city of Hankow. Owing to its situation, as well as to the notoriously turbulent nature of the local Hupei population, the British concession at Hankow had always been a storm centre in times of incident and anti-foreign trouble. The 'Hankow riot' was almost an annual affair: though in most instances involving no more serious consequences than barricaded streets, a picnic mobilization of the British volunteers, and the landing of naval ratings from the gunboat doing guard duty at the port.

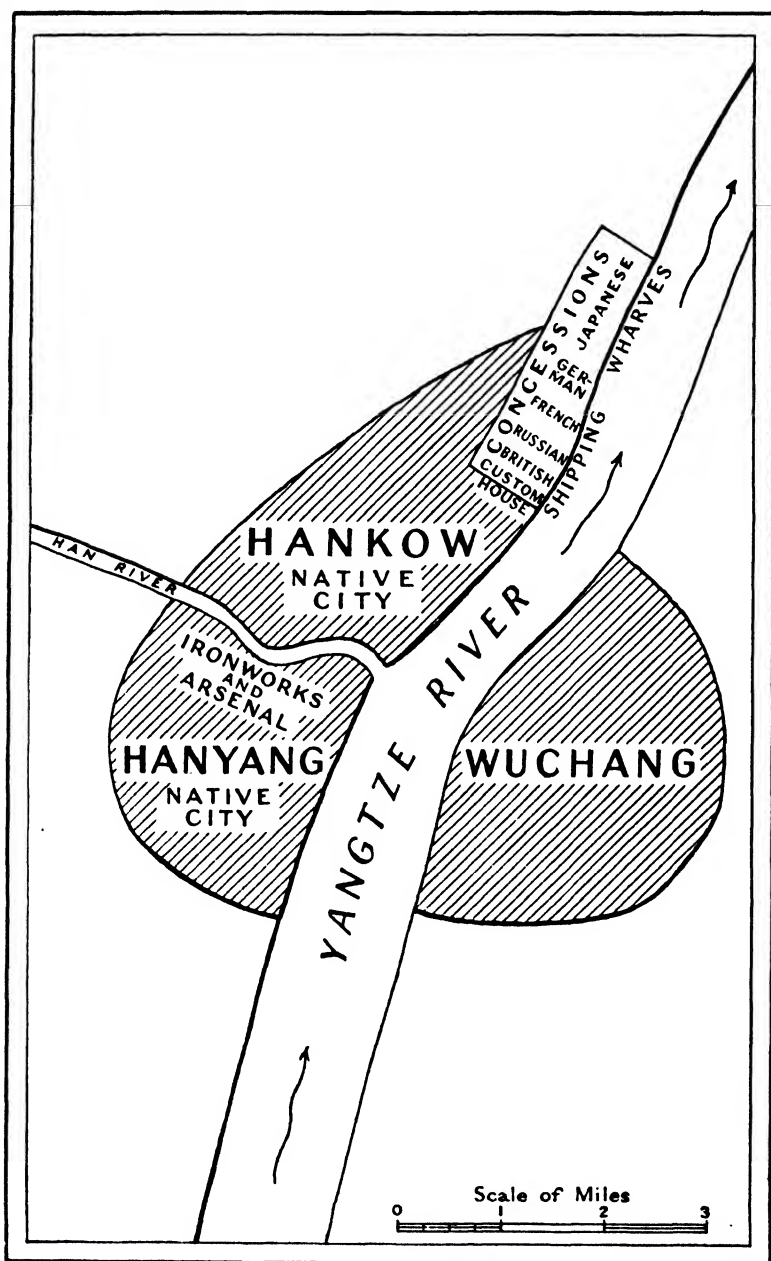
In 1926, the northern expedition of the Kuomintang started from Canton. Before the end of the year the Nationalist armies, flushed with success and drunk with revolutionary propaganda, descended on Central China and the Yangtze Valley. The Nationalist Government, advised by Comrade Borodin and influenced by extremists of the C.C.P.,¹ established themselves in and around Hankow, occupying buildings in the native city and the ex-concession areas. The British, French and Japanese Concessions became islands in a sea of

¹ The Chinese Communist Party.

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Chinese revolutionary agitation: the situation of the former being more particularly critical, owing to its geographical position, wedged in between the native city and the ex-Russian area. On January 3, 1927, a Chinese mob, engineered by extremist agitators, surged into the British concession and overran the area. No one was killed and the material damage done was very small: but the situation was momentarily beyond control, until the British authorities, to avoid bloodshed, withdrew bluejackets and volunteers and order was restored by Chinese military and police.

Had the Hankow incident occurred a few months earlier, fire would probably have been opened by the British volunteers and naval forces on the Chinese mob: and, either the trouble would have been rapidly extinguished, or it would have flared up with consequences difficult to estimate. But the British Foreign Office, had only recently embarked on their new policy towards Nationalist China, and they were not to be deterred by these unfortunate developments. They realized that there were influences at work seeking to precipitate a conflict between Britain and the Kuomintang. The Yangtze Valley was seething with red revolution and artificial anti-British hate. The first few shots might well have been the signal for fire and massacre from Chungking to Shanghai: followed by a punitive campaign which might have cost the British Empire dear. In these circumstances the British Government, acting through their local naval and consular authorities, deliberately held their hand and refrained from utilizing such naval forces as were in fact available. Instead of defending or reoccupying the Concession, they proffered to the excited Chinese Nationalists an olive branch in the shape of an offer to revise the treaties and modify the status of the concession areas, and a few weeks later they negotiated with the ebullient Mr. Eugene Ch'en, Foreign Minister of the Nationalist Government, an agreement for the rendition of the British Concession at Hankow. The concession was converted in a special area, under the direction of an official appointed by the Chinese Government, assisted by an elected council of three British and three Chinese members with



SKETCH MAP OF THE WUHAN CITIES

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powers of control over administration and finance. The agreement was simple and short, providing merely for the dissolution of the British municipality and the transfer of the administration of the Concession area to a new Chinese municipality under regulations (the negotiation of which constituted the real settlement) which were to remain in force until such time as arrangements had been negotiated for the amalgamation of the five Hankow Concessions and ex-Concession areas into one unified municipality.

The key to the Hankow agreement lay in the arrangements made of their own volition by the Chinese authorities some years before in the ex-German and ex-Russian Concession areas, where there had been set up under Chinese directors similar municipal administrations which had operated fairly satisfactorily. The British merchants at Hankow were, even before the riot of the 3rd of January, 1927, becoming weary of the recurrent storms and troubles which beat about the barricaded British area; and (though this statement may lead to hot denial) one of the first suggestions made to the British representatives arriving in Hankow to investigate the incident was that a settlement might be negotiated on the lines of the municipal arrangements in the ex-concession areas.

There were three alternatives facing the British Government at the time of the Hankow incident. The first was the one they followed, the second to defend or reoccupy the Concession area by force, the third to evacuate the area completely and await the return of sanity and common sense before negotiating a settlement in a more normal atmosphere. The second alternative might or might not have precipitated a state of war with Nationalist China; and it was in fact the very course which interested agitators were seeking to provoke. The third alternative would have meant grave injury to local British property and a future settlement of doubtful value. The British Government, wisely as was proved by subsequent developments, chose the first alternative. But the surrender of the Concession was greeted with a storm of indignation and abuse from British interests in China. The affair was absurdly exaggerated in the

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British Press, as though some vital keypoint of the British Empire had been cynically betrayed. Few could have realized, reading the lurid newspaper descriptions of the implications of the Hankow incident, that the question only concerned rights of administration over an area not much larger than the race-course at Shanghai, the retention of which was, in the circumstances of time and place, only an embarrassment to British policy and of no material advantage to British trading interests. The main objection to the surrender of the Hankow concession at the time was the encouragement thus given to the Nationalists to attempt similar 'smash and grab' tactics at Shanghai, where the British stake and interest were at least one hundred times as great. This danger was averted by the action of the British Government in landing a division in the Shanghai Foreign Settlement. In the result it was not necessary to fire a shot either at Hankow or Shanghai: in the former case because the small British forces stood aside, and in the latter because of their overwhelming strength.

After the soreness occasioned by its painful birth throes had worn off, the Hankow agreement worked with marked success. There were no more 'Hankow riots', relations between the Chinese and local British interests improved from year to year, and the municipal services and amenities of the area continued to be well maintained.

Following the Hankow incident and the wave of revolutionary boycotts and disturbances which swept across the Yangtze treaty ports, the British Government surrendered the British concessions at Kiukiang, Amoy, and Chinkiang. These small concessions were retroceded to China more or less unconditionally, saving the measures taken to secure good Chinese titles in exchange for the British crown leases held by the owners of concession real estate. For it was not worth while in the case of these small areas seeking to establish British participation in any municipal arrangements. In each case the British Government were well rid of embarrassing responsibilities. Yet, as so often happens in the affairs of

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China, it required the storms and turmoil of 1927 before the British authorities and interests concerned were brought to realize that the rights of administration over these small concessions, no larger than a London square and surrounded by Chinese urban areas, were of no practical value and a constant source of trouble, danger and anxiety.

There remained of the British concessions only those at Tientsin and Canton: the former by far the largest and a considerable British town on Chinese soil; the latter a small island in the river off Canton. The British Government felt bound, under their treaty alteration offer made in January, 1927, to show their readiness to negotiate the transfer to some measure of Chinese Government control of these two concession areas. But the Kuomintang Government were too preoccupied in 1928 to pay attention to problems which they believed would, in any case, be solved by the abolition of extrterritoriality. And, after some inconclusive negotiations with the dissolving Peking Government on the subject of Tientsin, the question of dealing with these two concessions came to be shelved. Later on, in the abortive extrterritoriality negotiations of 1931, it was proposed to exclude these areas for a term of years from the operation of the treaty abolishing extrterritoriality. In each case there were, moreover, special circumstances and considerations. At Canton the island of Shameen was shared with France. While as regards Tientsin, the authority of the Nanking Government had scarcely extended to that region before North China passed under Japanese control. In the light of subsequent events the Chinese have reason to be thankful that the British concession at Tientsin remained inviolate.

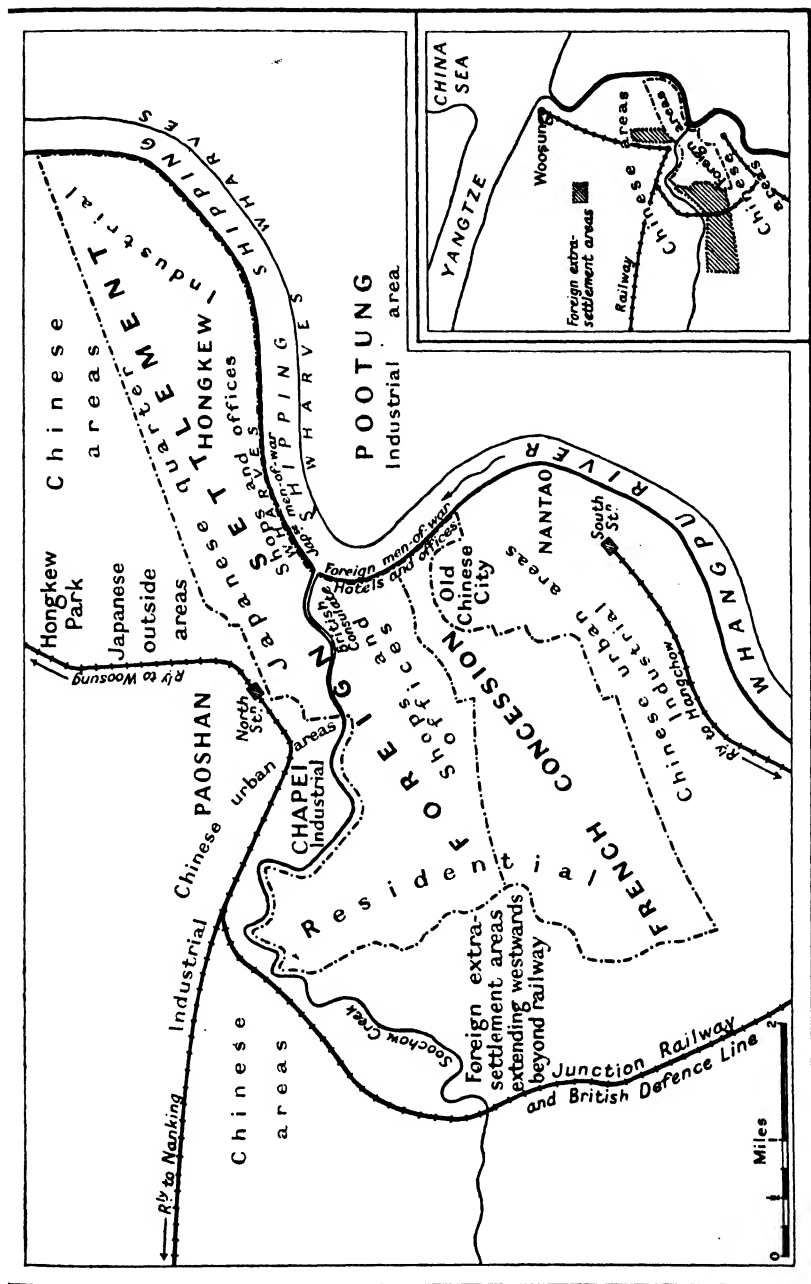
CHAPTER ELEVEN

SHANGHAI

The question of Shanghai is the epitome of the problem of the Chinese treaty port. For in Shanghai the British and other foreigners have built up, on the basis of extraterritoriality, a large and flourishing city which has become the greatest port in Asia and the financial, industrial and commercial heart of China, and the kernel of which is an international, self-governing municipality withdrawn from Chinese Government control.

Shanghai sprawls along the muddy banks of the Wangpu river, a stream but little larger than the Thames at London Bridge, which flows into the Yellow Sea near the mouth of the mighty Yangtze river. The importance of Shanghai results from its position at the outlet of the Yangtze Valley, once a primeval swamp and now converted by two thousand years of Chinese industry into one of the most fertile and thickly populated regions of the world. The broad waters of the Yangtze carry an immense junk and steamer traffic, conveying imports and exports to and from the treaty ports and native towns lining its banks for a thousand miles into the far interior, while the hinterland is intersected by creeks, rivers and canals, along which ply myriads of native trading junks and launches. All this traffic converges on Shanghai, the neck of the bottle for the trade of Central China.

The importance of Shanghai was early recognized and it was one of the five ports opened to foreign residence and trade by the first British treaty of 1842. In those days it was but a small walled Chinese city, surrounded by mud flats, rice-fields and the villages of the Chinese boating population.



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The British and French Consuls secured for the residence of their nationals areas of land outside the city walls, and later on the Americans also acquired a settlement. These districts were not concessions, but merely areas demarcated by the foreign Consuls by agreement with the Chinese authorities within which the foreign merchants were entitled to acquire land from native owners. It was, however, in those days, an established principle with the Chinese officials and their Government that these western aliens should, as far as possible, be left to administer their own affairs. The British settlers and their consular authorities accordingly drew up regulations, with the tacit acquiescence of the Chinese Government, for the management of their municipal arrangements. Committees for the maintenance of roads and jetties came into existence, on the lines of the arrangements made in the concession areas. Gradually the scope of the 'Land Regulations' widened, until they covered all the services of a municipality, as well as the levying of rates and taxes, and the control of sanitation and police. The regulations assumed their final form in 1869, and, subject to minor amendments introduced in 1898, are still the charter of the Shanghai Foreign Settlement.

The French kept their settlement under their own control, so that it developed into a French colonial town and came to be referred to as the 'French Concession'. The French area is administered by the French consular authorities, assisted by an advisory council of Chinese and foreigners, on bureaucratic lines: a system which seems, curiously enough, to produce less friction with the Chinese than the more democratic constitution of the Foreign Settlement.

The British and American areas were early thrown open to all foreigners; and, being amalgamated, became the Foreign Settlement. Britain thus surrendered her rights of exclusive exploitation and control. But the Foreign Settlement was built up mainly by British money, energy and enterprise; the British investment in local industry and real estate was (and still is) much greater than that of any other nationality; and for generations the British merchants and

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their Consulate assumed the leading part in the management of municipal affairs. The composition of the council was predominantly British; the officials of the municipality were mostly British; the system of municipal government was purely British; the police force, composed of Sikh and Chinese constables, was officered by British; and the Volunteer Corps was organized on British military lines, equipped for the most part by the British War Office, and commanded by a British regular. A stranger arriving at Shanghai by P. & O., and landing in the Foreign Settlement, would scarcely realize that he was not in British territory as in Hongkong or Singapore.¹ The Shanghai Foreign Settlement was mainly 'made in England' and a creation of which there was every reason to be proud. Yet the time came when the predominantly British character of the Settlement was to prove an embarrassment for Britain. For it meant for the British Government carrying most of the responsibility without a free hand in policy. Nothing could be done without consulting with a round dozen other foreign Governments, of whom only a few had any real interest, responsibility or power. And, when the foreign constitution of the Settlement came into collision with the rising wave of Chinese nationalism, Britain became the chief target for riots, agitation and abuse.

Shanghai grew and developed with the passing of the years until it extended far beyond the original limits of the Chinese city, Foreign Settlement and French Concession areas. The newer growth assumed the form of industrial and residential suburbs, which would normally have been developed under Chinese Government control. But the energetic foreign colonists were not agreeable to having their municipal activities penned up within the limits of their settlements: but pressed continuously to extend their municipal authority and services into the new adjoining areas. In this way Shanghai came to assume its present complicated form: a Foreign Settlement and French Concession;² a crowded

¹ The Chinese name for the Shanghai Foreign Settlement is, or used to be, *Ting Tsu-chieh*, 'the English Concession'.

² Embracing approximately 5,500 and 2,500 acres respectively.

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native city; an encircling Chinese municipality embracing theoretically all the newer growth; and an intervening area where Chinese and foreign authority merges and conflicts, the boundaries between the different areas running down streets and alley-ways, and sometimes bisecting blocks of buildings, so as to be generally indistinguishable. The whole, 'Greater Shanghai', houses a population of more than three millions of Chinese and many thousand foreigners. Miles of wharves and docks stretch along the Wangpu river, where the ships-of-war and merchant vessels of all nations anchor, come and go. Huge blocks of modern buildings stand on concrete platforms, floating in the bottomless alluvial mud.¹ The shops, banks, hotels, offices and residential flats are easily the finest and best-appointed in the East, so that the Shanghai resident enjoys all the most up-to-date amenities of Europe and America, together with the ease and informalities of existence in a Chinese treaty port. It is difficult not to use superlatives in writing of Shanghai: everything about it is on a giant scale: its size, ugliness, modernity, efficiency, cheery good-nature, arrogance and wealth.

Until the awakening of China after 1900 the municipal administration of the Shanghai Foreign Settlement was carried on with relatively little friction between the foreign residents and the Chinese authorities concerned. But, later on, as the movement for the recovery of sovereign rights gained in momentum, Shanghai, the French Concession and the Foreign Settlement became increasingly the focus of Chinese resentment against the foreigner and his special treaty rights.

Amongst the chief causes of controversy and friction was the question of the local Chinese courts exercising jurisdiction over Chinese in the Foreign Settlement. The special problem of these courts arises from the abnormal circumstances prevailing in the Settlement, where the judiciary and the executive draw their powers from different national

¹ An engineering feat rendered necessary by the absence of any firm ground on which to erect the foundations of large buildings.

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authorities. Control of the police and responsibility for the maintenance of law and order lie with the foreign Municipal Council, supported by the foreign Consuls: while the Chinese population of the Settlement, amounting to near a million souls, as well as any non-territorialized foreigners, are under Chinese jurisdiction. No Chinese police authority may function in the Settlement: where Chinese offenders must be arrested by the Settlement police and handed over to the Chinese courts for trial. The Chinese courts must therefore look to the foreign municipal police to execute their writs and warrants in the Settlement: and the foreign police must look in turn to the Chinese courts to support their authority in bringing criminals to justice and maintaining order in the foreign area.

The difficulties and delicacies of such a situation need no emphasis: especially in times of political excitement and tension between China and the foreigner. The Shanghai incident of May 30, 1925, which shook China from end to end, arose from the foreign-controlled Settlement police firing on a Chinese mob. Later on, the rise of militant Chinese nationalism, tinged for a time with communistic anti-foreign tendencies, and the boycott activities, often high-handed and illegal, of the Chinese agitators threw a tremendous strain on the Settlement police and their relations with the Chinese jurisdictional authorities.

In the old days the foreign remedy for such a situation was a simple one—to keep the Chinese courts under foreign direction and control. In pre-revolution times the 'Mixed Court' of the Foreign Settlement was presided over by a joint bench, consisting of a foreign consular 'assessor' and a Chinese magistrate. In 1912, during the revolution, the foreign authorities were able to improve, from their point of view, on these arrangements by taking over the Mixed Court, magistrates and all: so that it became and remained for many years a foreign-controlled court under a Chinese guise: with foreign consular assessors controlling the dispensation of justice by Chinese magistrates in foreign pay.

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This was the golden age for the corps of foreign lawyers practising their calling in the Foreign Settlement. Side by side with the Mixed Court there functioned more than a dozen consular courts established by the different Treaty Power authorities. Chinese ships, companies and real estate sought the protection of foreign flags and foreign names. Owing to the position of authority occupied by the foreign assessor on the Mixed Court bench, the services of the foreign lawyers were often indispensable to Chinese litigants. The dispensation of justice amongst the Chinese population of Shanghai, formerly an affair of patriarchal judgement based on rough and ready principles, became entangled in a mesh of foreign legal intricacies and technicalities. The consular assessors of the leading Powers, such as Britain and America, could be trusted not to abuse their situation. But the same could not be said of all the interested Governments. The claiming of a foreign interest in cases that were in reality Chinese, led to scandals and abuses that were injurious to the good name of foreign interests and foreign Governments.

The Shanghai Mixed Court became anathema to the Chinese Nationalists and in due course of time the Chinese demand for the restoration of their judicial rights became increasingly insistent. In 1926 the Mixed Court was rendited, under safeguards and conditions, to the control of the Chinese authorities concerned. Three years later, in 1930, after the storms of 1927 and 1928, when the National Government were successfully assaulting the Unequal Treaties, a further agreement was concluded under which these safeguards were abolished and the Shanghai courts rendited to practically unfettered Chinese Government control. Both the agreements of 1926 and that of 1930 were bitterly opposed by the lawyers, owners of Chinese rent-rolls, and other foreigners specially interested in the old régime. But, as in the case of the other concessions made by the Powers to Chinese Nationalist aspirations, the disasters foretold by 'die-hard' foreigners did not, in fact, ensue: and, if the foreigner had on occasion reason to complain of the delays and procrastinations

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of the Chinese courts, the new arrangements worked on the whole smoothly and well and with noticeably less friction than the old régime.

Another Shanghai problem which for years pervaded the relations between Chinese and foreigners concerned the 'Outside Roads'. For many years foreign interests pressed for the extension of the boundaries of the Foreign Settlement: but for a variety of reasons the protracted negotiations on the subject failed to achieve results: until, with the rise of Chinese nationalism after the war, all hope of securing, by negotiation, the much desired 'Settlement Extension' disappeared. But in the meantime a measure of *de facto* extension had been secured by the exercise (or, as the Chinese claimed, the abuse) of the council's right under the Land Regulation of 1869 to construct roads leading out from the Settlement. In the years immediately following the war the foreign council carried out a considerable scheme of extra-settlement development, by the construction and policing of outside roads, along which land had been bought and houses built by foreign private individuals and land investment interests. The Chinese soon challenged these proceedings, with the result that there arose controversies and conflicts, at times dangerously acute, between the Chinese and foreign police authorities in these extra-settlement areas and along the outside roads. Later on, when the foreign Governments, led by Britain and America, began to yield to the importunities of the Chinese Nationalists, and the Chinese National Government became more reasonable in their demands, a satisfactory compromise agreement for a settlement of the outside roads dispute was in fact negotiated in 1932: but by that time the conflict with Japan was beginning to cast its ominous shadow over the affairs of China and the 'Outside Roads Agreement' was blocked by the objections of the Japanese.

For two generations life in the Shanghai Foreign Settlement was sheltered, placid and secure. Business had its ups and

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downs, but was generally fairly prosperous. From the *taipan*¹ to the bank clerk and newest joined assistant, all enjoyed a standard of living, as regards sports and pastimes, servants and luxuries, which in their homelands would have been far beyond their reach. Local investments, rooted in the security of the Settlement, were safe and profitable. Land, in which enormous fortunes had been made, rose steadily in value. Race meetings, riding, country clubs, night life and well-appointed recreation grounds, afforded diversion suitable for the tastes of all. Municipal services were adequate and up to date. And in Peking the Diplomatic Body, still in those halcyon days apparently omnipotent, saw to it that the Chinese Government respected foreign treaty rights and that Shanghai remained an oasis of peace, order and good government, in a China torn into convulsions by revolution, banditry and civil war. In this treaty port elysium there burst the bomb-shell of May 30, 1925, ushering in an era of crisis, uncertainty and change, the end of which no one can yet foretell.

Early in 1925 the fruits of the Kuomintang alliance with the Communists and the activities of the Russian Soviet advisers began to show themselves in labour troubles in such centres as then existed of modern Chinese industry. Of these industrial centres by far the most important was the Shanghai area, where the conditions in the cotton mills afforded fertile ground for the propaganda of the Communists. In the spring of 1925, strikes in the Japanese mills had led to demonstrations and excitement amongst the Chinese population of the Foreign Settlement. On May 30 a mob assembled outside a station of the Settlement police, demonstrating against the arrest a few days earlier, of student agitators. The police station was occupied by thirty constables, Indians and Chinese, under the charge of a British inspector of police: who, finding the situation to be getting out of hand, after due warning given, ordered his men to open fire. The demonstrators were largely composed of excited Chinese students, several of whom fell, dead and wounded, to the ground. The mob dissolved. But

¹ *Taipan*, a Chinese word applied to the head of a foreign firm.

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the affair turned out to be the spark that fired the flames of anti-foreign, and mainly an anti-British, agitation which flared over China for the next two years. Life is cheap in China: and the Chinese had been killing one another by the thousand in their factional disputes and civil wars. But the shooting by the Foreign Settlement police of half a dozen Chinese students, always in Chinese eyes a privileged class immune from violent chastisement, afforded a golden opportunity for the underground manoeuvres of the Communists. Within a few weeks millions of Chinese throughout the country had been roused to a state of frenzied patriotic ardour, venting their artificially excited feelings in anti-foreign riots, agitation and excess.

Chinese and international Shanghai was shaken to the core. The Chinese Government, responding as always to the clamour of excited nationalism, raised the whole question of the constitution of the Foreign Settlement, putting forward demands (which the foreign Governments were able to ignore) for the full municipal enfranchisement of the Chinese residents, a Chinese majority on the council, a measure of Chinese control over the police, and the exercise of full Chinese sovereignty in the Settlement.

The Diplomatic Body scurried to and fro, the different foreign Governments reacting according to their national policies and characters. Britain, the victim, but also the principally interested party, anxious to be just and fair, with due regard to British interests; France tending to be aloof and cynical (the French Concession not being concerned in the affair); Japan watching her opportunity; America mindful of her role as China's sympathetic friend; and the lesser Powers looking anxiously to the greater for a lead.

A diplomatic delegation journeyed from Peking to Shanghai, investigated, and submitted a report, containing mild strictures on the Council of the Foreign Settlement, in the form of an expression of a doubt existing in their minds whether sufficient foresight had been exercised in preventing the dangerous situation which had arisen on the thirtieth of May.

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In Peking the interested foreign Ministers, acting on this gem of diplomatic phraseology, sat in judgement on the British-controlled council of the Foreign Settlement, who were invited suitably to discipline their responsible officials. The British Government very properly rejected this solution and put forward a proposal for an international inquiry on judicial lines. A judicial commission, composed of three judges, British, American and Japanese, was appointed to investigate, establish facts and fix responsibilities. The commission duly met, probed into the incident and proved (with reservations on the part of the American) that no one was very much to blame.

The affair ended with the council furnishing the necessary scapegoats after all. The Commissioner of Police and police inspector both resigned. And some years later, after the clamour and excitement had evaporated, the council offered compensation to the families of the deceased.

The incident of May 30, 1925, had scarcely been lived down before another crisis descended on Shanghai. In 1927 red revolution in the shape of the armies of the Kuomintang came sweeping down the Yangtze Valley, swamping the treaty ports. Hankow, Kiukiang, Wuhu, Nanking and Chinkiang were rioted and overrun successively. The Shanghai Foreign Settlement prepared for eventualities, building blockhouses and barricades and mobilizing police and volunteers. The British Government, anxious though they were to meet the aspirations of the Chinese Nationalists and avoid an open conflict with the Kuomintang, were not prepared to take at Shanghai the risk of a repetition of what had happened at Hankow. 'Shaforce', consisting of twenty thousand British troops, was hastily collected and thrown into the Foreign Settlement. The other interested Powers, invited to co-operate, responded tardily, since the impression still prevailed that the Chinese Nationalist upheaval was mainly the affair of Britain, and there was a natural reluctance to pull the British chestnuts from the fire. Eventually Japan, the United States and Italy followed the British lead, the

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French maintaining in the French Concession their own garrison of French colonial troops.

The British forces threw a cordon round the Foreign Settlement, occupying, on the grounds of tactical necessity, a line through the area of the 'outside roads' beyond the boundaries of the Settlement. The Japanese garrisoned the northern district, which came in this way to be officially recognized as the Japanese quarter of the Settlement. The American marines co-operated unreservedly with the British military authorities, except that, owing to the scruples of the State Department, they were not permitted to go beyond the boundaries of the Foreign Settlement.

The British gesture, warning the excited Chinese Nationalists from attempting the violent invasion of the Shanghai foreign area, met with complete success, though the situation was delicate and difficult, since influences were still at work seeking to represent the British forces as occupying Shanghai in the interests of the Kuomintang's internal enemies. And some amongst the British residents, not realizing the dangers and folly of what they were proposing, urged that the British expeditionary force should be employed in keeping the Kuomintang armies out of the Yangtze delta. In the result the Shanghai region passed peacefully under Kuomintang control; the National Government, purged of its Communist associates and Soviet advisers, became the recognized Government of China in Nanking, and not a shot was fired in anger by the British forces garrisoning the Foreign Settlement.

But the foreign military occupation of Shanghai was nevertheless to have unfortunate and unforeseen results. When the Japanese landed their marines in the Hongkew quarter of the Foreign Settlement in 1927 they were still pursuing a policy of conciliating Chinese opinion and posing as China's friend and protector against the aggression of the West. But the time was approaching when, seeing their pacific thunder stolen by Britain and America, the Japanese were to switch to a policy of coercion and aggression. The foreign Powers have no specific treaty right, other than that arising from their

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control over the Foreign Settlement, to garrison Shanghai with foreign troops. The landing of armed forces in the emergency of 1927 was justified by the circumstances of the time. But it would have saved for everyone a mint of trouble if, with the crisis over, every foreign soldier and marine had been withdrawn. Unfortunately this had not been done by the time when, in 1931, Japan drifted into open conflict with the Chinese Government. Thereafter the Japanese naval and military chiefs exploited to the full the opportunities afforded by their 'landing party', by then a permanent garrison in their quarter of the Foreign Settlement. Since 1931 the armed forces of Britain and America have been stationed in Shanghai not so much to protect the Settlement against Chinese mob attack as to maintain the balance of local military power *vis-à-vis* the armed forces of Japan.

The events in China of 1925 and 1927 left foreign Shanghai shaken and bemused; and the policies of the Treaty Powers during the three succeeding years increased the feelings of uncertainty and anxiety amongst the foreign residents. The Chinese were clamouring for changes and even for the rendition of the Settlement, and in the meantime were wearing down the foreigner's defences by tactics of pressure and attrition. The courts were handed back to Chinese Government control; and on the 'outside roads' the Settlement authorities, faced with the dangers of incident and conflict, and rightly doubtful of the support of the foreign Governments, were progressively surrendering their claims and interests. The sheet-anchor of the Foreign Settlement, the British Government, seemed to have lost their heads. British concessions were being retroceded right and left. And finally the shadow of the abolition of extraterritoriality loomed on the political horizon. The rank and file of the Shanghai foreign residents, British, Americans, Russians, Scandinavians; Germans, Belgians, Dutchmen, Italians, Spaniards, Portuguese, and Greeks, still looked hopefully to the consular and Diplomatic Bodies to protect them in their rights and privileges against the rising Chinese wave. But

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those august assemblages had by this time ceased to count as a factor in the situation. The Governments of all but the major Treaty Powers had declared their readiness to give up extritoriality. The future of the Shanghai Foreign Settlement lay with Japan, Britain and America; and, if the policies of the first were quite imponderable and her intentions difficult to estimate, the last two were obviously in full retreat.

It was in these circumstances that the leaders of the Shanghai Foreign Settlement decided that they must be up and doing if they were to retain any influence over the future of their affairs. Mr. Lionel Curtis, skilled in the diagnosis of damaged situations, visited Shanghai, and shortly afterwards the Council of the Settlement invited Mr. Justice Feetham, of the South African Bench, to investigate the problem locally and submit recommendations for the reform of the municipal administration and the future of the Settlement.

Judge Feetham arrived in Shanghai early in 1930, and, after an intensive study of the local situation over a period of eighteen months, presented his report, comprising over six hundred closely printed pages, in the early summer of 1931.

The report of Mr. Justice Feetham dealt at great length with all the facts of Shanghai's history, development and problems from the foreign point of view; listed the enormous volume of Chinese and foreign interests, commercial, financial and industrial, centred in the Foreign Settlement; emphasized the benefits of 'Security' and the advantages deriving from the 'Rule of Law', as established in the State and civic life and institutions of Anglo-Saxon countries; reviewed with grim detachment China's existing administrative systems, which were so largely characterized by absence of the Rule of Law; laid down that the rendition of the Foreign Settlement could not be contemplated until the principles of the Rule of Law had taken root in China and been embodied in an effective form in the institutions of the Chinese State; pointed out that it must be a question not of years but of decades before this millennium could be brought about; showed that the Foreign Settlement could not continue to exist without

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extritoriality; and concluded with recommendations for increased Chinese participation in the administration of the Settlement under a reformed régime on the lines of the existing constitution.

Mr. Feetham's long review of the question of the Shanghai Foreign Settlement was masterly in its wealth of detail and marshalling of fact and argument; and the report will stand for ever as an invaluable work of reference in any further examination of this thorny problem. But it came still-born into the world. For it contained no practical suggestion for a solution which would at that time have been acceptable to Chinese aspirations, but only a monumental statement of the case against any material surrender of the Shanghai citadel. A chorus of approval, thanksgiving and relief sounded from the foreign population of the Settlement, the vast majority of whom found the report too lengthy, dull and technical to read. But the Governments of Britain and America continued their negotiations for the revision of the Unequal Treaties as though Mr. Feetham and his report did not exist.

The fact of the matter was that the future of the Shanghai Foreign Settlement, like that of extritoriality and the Unequal Treaties, was not in 1931 a question to be judged on the merits of the case, but one to be decided by the relative strength and determination of China and the few remaining Treaty Powers. The Rule of Law was not always so apparent in Russia, or in South America, or even in the Fascist States of Europe; but foreigners in those benighted countries could not, unfortunately, claim the advantages of municipal self-government. Chinese sovereignty over Shanghai would, it seemed, be established if and when China became politically strong enough to assert her claims. Of the three principally interested Treaty Powers only Japan was likely, at her own time and for her own purposes, to intervene. Before the year was out the inevitable collision with Japan over Manchuria occurred; and the question of Chinese aspirations for the recovery of sovereign rights over the Shanghai Foreign Settlement passed, with the rest of

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the programme for the abolition of the Unequal Treaties, into the limbo of the unattainable.

Crisis and conflict in the north provoked in 1932, as again in 1937, the outbreak of hostilities in and around Shanghai. Every dictate of common sense demanded the neutralization of the Foreign Settlement, if not of the whole Shanghai neighbourhood. But the bitterness of feeling provoked by the Japanese invasion of North China and Manchuria, and the peculiar local circumstances, created a situation too tense and complicated to be thus controlled. A large portion of the Hongkew district (originally the American concession) in the northern section of the Foreign Settlement had become a Japanese preserve. Japanese civilians jostled the Chinese in the narrow crowded streets, while the Japanese garrison of bluejackets and marines (euphemistically referred to as the 'Naval Landing Party', but by now housed in solidly constructed barracks in Hongkew) gave the area the appearance of a military camp, bristling with patrols and armoured cars, machine-gun posts and sandbagged barricades. The Chinese on their side brought into play their customary tactics of boycotts, covert hostility and agitation. And, stationed round the outskirts of the Settlement, were the troops of one of the most notorious of China's Nationalist armies, who were still deeply infected with the extreme chauvinism of the revolutionary period.

In such an atmosphere any small incident was sufficient to fire the explosion which ensued. There was an affray between some Japanese civilians and a Chinese mob. The Japanese Consul-General put forward the stereotyped demands: apology, punishment and compensation, and suppression of all 'anti-Japanese organizations', supported by an ultimatum that failing immediate compliance drastic action would be taken. The Municipal Council of the Foreign Settlement, alarmed at these developments, declared a 'state of emergency', which involved the foreign forces taking up their positions of defence on and around the perimeter of the Settlement. Simultaneously the Chinese authorities accepted the Japanese

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demands. But the Japanese forces, advancing to the positions in their quarter of the Settlement assigned to them under the scheme of joint international defence, came into conflict with Chinese troops outside the borders of the Settlement, attempted to dislodge them, failed to do so, and became involved in hostilities which for the next few weeks turned Shanghai and its environs into a battle-field.

The Chinese troops offered an unexpectedly stiff resistance in the congested suburbs outside the Japanese quarter of the Settlement. Fierce fighting raged for weeks in alley-ways and tenements round the North Station, the terminus of the Shanghai-Nanking Railway, within a stone's throw of the Settlement boundary. It was no longer possible to say which side was attacking and which on the defence. The Japanese men-of-war, lying alongside the wharves and at the river buoys, bombarded the Chinese positions across the intervening Settlement. The Chinese guns replied, registering hits on everything save their objective. The neutral Powers, Britain and America, rained protests on both belligerents, claiming the neutrality and inviolability of the Foreign Settlement. The Chinese replied that they were fighting in self-defence against the unprovoked aggression of Japan and hotly complained that the Japanese were utilizing the Foreign Settlement as a base for their hostilities. The Japanese in turn claimed to be defending, in accordance with the scheme of joint defence, their area of the Settlement against overwhelming odds.

The whole theory of the garrisoning of Shanghai with foreign troops presumed a situation in which the armed forces of the Treaty Powers were banded together to maintain the inviolability of the Foreign Settlement against Chinese mob attack. A state of undeclared war between China and one member of the *bloc* of Treaty Powers, whose actions were moreover strongly disapproved of by the rest, enmeshed the Foreign Settlement in a diplomatic-military tangle which compromised its fundamental principles and traditions of neutrality. Throughout the fighting of 1932, as in the case of that in 1937, the British and American and other neutral

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troops watched from the blockhouses and barricades of their sections of the defence perimeter the progress of hostilities outside. Both belligerents maintained good relations with the neutral troops and respected, as far as the inaccuracies of their fire control permitted, the ring-side seats of their foreign military audience. But an occasional bullet, shell or bomb, going astray, fell in the neutral defence posts of the Settlement. The wonder was that this did not occur more frequently. Had the Japanese been driven back and the Chinese penetrated into their quarter of the Settlement, the mess would have been even more frightful than it was. And, though foreign sympathies were generally on the side of China, it was as well for all concerned that the Japanese line held fast.¹

The Shanghai war of 1932 was but an overture to that of 1937. Up to a point the course of hostilities was in both instances the same. The Japanese, at first hard pressed, reduced the neighbouring, densely built-up Chinese areas to heaps of rubble by sustained artillery and air bombardment. The Chinese, gradually pressed back, fought stubbornly in the slums and suburbs of the northern district, and later in the creek-intersected rice-fields of the countryside. Finally the Japanese landed sufficient reinforcements to turn the Chinese flanks and drive the Chinese troops from the environs of the Settlement.

At this point in 1932 both sides had had enough and accepted the mediation of the British and other neutral representatives. A truce agreement was in due course negotiated under which the Japanese withdrew to the Settlement and its 'outside roads'; while the Chinese retired to fixed positions a certain distance from Shanghai, where, it was agreed, they should remain 'pending later arrangements', a cryptic

¹ In the fighting of 1932 the Japanese spread the story, which at the time was given wide publicity, that the troops of the Chinese 19th Route Army, who bore the brunt of the hostilities, had before the outbreak moved up to the outskirts of the Settlement with the intention of over-running and looting the foreign quarter. These troops were no doubt strongly infected with anti-Japanese propaganda and spoiling for a fight; but there is no shred of evidence to support the story that they planned an attack on the Foreign Settlement.

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formula designed to save the Chinese 'face', while implying, according to Japan's interpretation, a settlement of indeterminate duration. These arrangements up to a point satisfied the Japanese, whose main objective from the start had been to secure the 'demilitarization' of the Shanghai area, meaning, as in the case of the North China neutral zone, an area which was closed to Chinese military forces and which would thus, in due course, fall under foreign and eventually Japanese control.

The idea of 'demilitarizing' the treaty ports had been in the minds of the Japanese for many years, with the object of creating sheltered areas within which Japanese trade and industry might flourish immune from boycotts and other violent Chinese reactions to Japanese political aggression in the north. To the Japanese military and official mind, still wedded to the pre-war policies of the foreign Treaty Powers, there was no impropriety in putting forward such proposals, which, while they might have seemed natural and proper in the nineteenth century, could only be regarded as a national affront by the China of 1932. As early as February an inspired statement had appeared in Tokyo announcing that the Japanese Government were considering proposals for the solution of the Shanghai question, and of the general problem of 'security' for foreigners in China by the establishment of demilitarized zones of twenty miles across round Shanghai and the other larger treaty ports. After the conclusion of the 1932 hostilities the Japanese Government reverted to these proposals and suggested to the other interested Governments that a Round Table Conference should be assembled to discuss and make arrangements for the future of the Shanghai area on the lines of its permanent demilitarization (so far as China's military forces were concerned) under the protection of the foreign Powers.

The Japanese proposals met with general approval amongst the British and other foreign residents of the Shanghai Settlement, who urged their Government to take this opportunity of securing a final and satisfactory solution of all

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outstanding Shanghai problems, including the long-desired extension of the Settlement, resumption of foreign control over the Chinese courts, and the establishment of a neutral zone exempt from Chinese Government control. The foreign ideal, of a Greater Shanghai converted into a free city under the protection of the foreign Powers and immune from all interference by the Chinese Government, seemed to be a practicable proposition after all. But the Round Table Conference and the demilitarization of Shanghai were regarded with disfavour by the Governments of Britain and America, who, rightly or wrongly, were by now embarked on a policy of recognizing the claims of the new Nationalist China to be treated as an equal with other independent nations of the world, and who therefore disapproved of the idea of putting their diplomatic programme into reverse and exploiting the Japanese victory to secure for their nationals an extension of their privileged position at Shanghai.

The Japanese proposals for a conference were accordingly allowed to lapse, and the situation at Shanghai gradually drifted back to the *status quo* existing before the outbreak of hostilities.

The supporters of the demilitarization plan of 1932 may argue that, had these proposals in fact been carried out, there would have been no Shanghai war in 1937. But the Chinese in 1932 were in no frame of mind to accept any such solution, which could only have been forced upon them by the military pressure of the foreign Powers; and in any case it was inconceivable that the British and American Governments would have been parties to the scheme. Whether it would in the long run have been to the advantage of the British and American interests concerned, depends on whether those interests preferred that Shanghai should pass ultimately under Chinese or Japanese control. In the result the Japanese were to secure their objective five years later by direct action on their own account.

The year 1932 marked a turning point in the political circumstances of the Shanghai Foreign Settlement. Hitherto

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the Chinese had been the enemy threatening to disturb the *status quo*. From now on the Japanese were to become the bogey of the Settlement. The Chinese, preoccupied with the conflict in the north, and anxious to win the favour of the Western Powers, dropped their drive against the Settlement, and became generally as amenable on local Shanghai questions as on the national issues which had hitherto clouded their relations with the leading Treaty Powers. Minor outstanding controversies affecting the Foreign Settlement were soon adjusted, and an agreement, based on compromise and mutual co-operation, was arrived at with the foreign Council on the subject of the administration and policing of the 'outside roads'. Unfortunately it proved impossible, owing to the demands put forward by the Japanese, to implement this settlement.

Meanwhile the Japanese gave it to be understood that they were no longer satisfied with the subordinate role assigned to them in the administration of the Foreign Settlement. Nor, from their point of view, was the Japanese argument unreasonable. Amongst the foreign population of the Settlement the Japanese outnumbered the British and Americans by more than two to one. And the Japanese could now claim by right of conquest a large quarter of the Foreign Settlement and its environs as their own particular preserve. Yet this quarter was nominally part and parcel of the area administered by the Council of the Settlement and patrolled by the municipal police; both nominally international but actually in the higher branches of the administration under British and American control. The British seemed to be contemplating the gradual transfer of control over the local government to Chinese authority and Chinese interests. The Japanese considered that, if there was to be any transfer of authority, it should be to Japanese rather than to Chinese hands.

For the next five years Shanghai remained a dump of international explosive, waiting for the spark which would ignite another conflagration. The explosion occurred again

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in 1937 following the renewal of Japanese aggression in the north. Again in this instance it would be futile to ascribe to either side the blame for the resumption of hostilities. The Japanese complained that the Chinese had advanced their troops in violation of the truce agreement of 1932. The Chinese alleged they were the victims of unprovoked attack. The truth was that the feelings of both sides were worked up to fever pitch, the Japanese trailing their coats and the Chinese venting their bitterness in boycotting and agitation. There was an affray between a Japanese officer and some Chinese sentries at the entrance to a Chinese aerodrome; and within a day or two the environs of the Foreign Settlement were again a battle-field. Shanghai suffered far more from the war of 1937 than from that of 1932; for one thing because the fighting continued to the bitter end; and for another because the Chinese had in the intervening years enormously improved their equipment of modern war machinery, aeroplanes and guns; so that the two sides were better matched and the fighting in consequence so much the fiercer. Yet the foreign areas suffered relatively little damage; the worst being caused by misdirected Chinese bombs, which, dropped by mistake on to the crowded streets of the Foreign Settlement, did frightful execution. Events followed in the main a course similar to that of 1932; except that there was no neutral mediation and no truce agreement; so that hostilities continued to their inevitable end; until, after three months, Chinese resistance was completely smashed, the Chinese army routed and Chinese authority eliminated from the Shanghai neighbourhood; leaving the Japanese the undisputed masters of the whole area, saving the French Concession and the British quarter of the Foreign Settlement.

The vexed problem of the future of Shanghai thus came to be considered against a new and even more imponderable background of local politics and circumstances.

The population of the Foreign Settlement and the adjoining area of the outside roads comprised in 1935 approximately

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a million Chinese, twenty thousand Japanese, six thousand British, three thousand Russians, two thousand British Indians, two thousand Americans, eleven hundred Portuguese, eleven hundred Germans, four hundred Filipinos, two hundred Frenchmen, two hundred Italians, two hundred Poles, two hundred Danes, one hundred and fifty Spaniards, and smaller quotas of Greeks, Swiss, Czechoslovaks, Norwegians, Dutch, Latvians, Roumanians, Swedes, Hungarians, Estonians, Belgians, Turks, Brazilians, Persians, Iraqans, Armenians, Lithuanians, Serbians, Egyptians and other nationalities.¹

The affairs of this polyglot community are regulated by a municipal administration elected by the foreign ratepayers according to a franchise based on property. The Chinese, though they constitute over ninety per cent of the population of the Settlement, are necessarily disenfranchised, since otherwise they would swamp the rest of the electorate. The question of Chinese representation on the Council of the municipality, consisting of nine foreigners, was for many years a matter of academic controversy. In 1921, as a concession to Chinese aspirations, a Chinese advisory committee was established, but with functions that were little more than nominal. The troubles of 1925 and 1927 led to a reconsideration of the foreign attitude towards the growing Chinese claims; and in 1928 three Chinese members, selected by the Chinese Ratepayers Association, were added to the Council. In 1930, in response to further Chinese pressure, the number of Chinese councillors was raised from three to five. The Municipal Council of the Settlement thus finally comprised fourteen: five British, five Chinese, two Japanese and two Americans; the distribution of the foreign seats between British, Americans and Japanese being the result of an understanding between the three principally interested nationalities. Formerly the Chairman of the Council was invariably British; at the time of writing he is an American.

¹ The figures for the French Concession for the same year were half a million Chinese and 23,000 foreigners (including 11,800 Russians, 2,600 British, 2,300 French and 1,800 Americans); and for the whole area of 'Greater Shanghai' over three and a half millions.

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The Municipal Council derive their authority from the Land Regulations of 1869, to which, it can properly be argued, the Chinese Government were, at least tacitly, a party.¹ This charter of the Foreign Settlement is cumbersome, vaguely worded on important points and generally out of date; but it has hitherto been found impossible to arrange for its revision; because, since the advent of Chinese nationalism, no Chinese Government could be induced to recognize the Land Regulations of 1869 to the extent necessary to negotiate their amendment and revision; while it was impossible for the Treaty Powers to deal with the matter unilaterally without prejudice to their argument that the regulations were accepted by the Chinese Government.

The responsibilities of the Council of the Foreign Settlement are heavy; far heavier and more exacting than those of any municipal administration in a more normal country. They include, as well as the administration of the municipal services and rates in an area housing a million or more inhabitants, most forms of local government, a large measure of political control, the maintenance of diplomatic relations with the Chinese and other national authorities, and the preservation of internal order and defence; for which purpose the Council of the Settlement maintain efficient police and military forces of their own, the latter including a company of Russian regulars attached to the local corps of volunteers.² Viewing the problem of Shanghai quite objectively, one must arrive at the conclusion that these responsibilities, municipal, political, military and diplomatic, placed on the shoulders of the committee of foreign merchants who constitute the Council of the Foreign Settlement, are far too heavy; that the machinery of the municipal administration of the Settlement is too big and powerful for amateur control, zealous and skilful as that control has been; that the theory

¹ Mr. Feetham in his report endorses the foreign contention that the Land Regulations of 1869 have all the force and sanctity of a treaty; which is an overstatement hardly supported by the evidence.

² The police force in 1936 included over four thousand Chinese and Indian rank and file, and four hundred and fifty British and two hundred and fifty Japanese.

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of local self-government through an elected council with powers of executive authority is a British-American conception alien to the Chinese as well as to a large section of the foreign population of the Settlement; that the division of Shanghai into three areas under different national authorities is a hindrance to the free development of the greatest city of the East; and that it would be better for the interests of all concerned if it were possible to create a new municipal constitution for the whole Shanghai area under undivided Chinese Government control; placing the executive responsibility where it properly belongs, in the hands of the territorial authority of China; and safeguarding foreign interests by means of a Sino-foreign council with legislative and financial powers. Unfortunately the political instability of China in the past, and now the conflict between China and Japan, stand in the way of any such common-sense solution of the Shanghai problem.

The question of the future of the Shanghai Foreign Settlement has led to interminable controversy and debate; especially since the abolition of extrterritoriality became a matter of practical importance; since foreign control over the Settlement could not continue without the protection of extrterritorial rights. In the negotiations of 1931 the British Government insisted on making of Shanghai a reserved area in which extrterritoriality would continue for a term of years.

The Chinese want in theory immediate rendition, but actually are not in such a burning hurry to secure their end. They realize that there are certain very practical advantages, even from their point of view, in having an area such as the Foreign Settlement under international control, serving as a safe deposit for the wealth and revenues of China.

The British Government have always been ready to admit that the whole Shanghai area is part of, and belongs to, China, and that the Foreign Settlement is only temporarily removed from Chinese Government control. They consider that the Chinese membership of the Council and the Chinese

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personnel of the administration should be gradually increased, until, when the time is ripe, municipal control will pass from the foreign to the Chinese ratepayers under the authority of the Chinese instead of that of a group of foreign governments; a plan which sounds simple, smooth, and easy, until one seeks to put it into practical effect.

The solution of Mr. Justice Feetham was the establishment by negotiation and agreement between China and the Treaty Powers of a new, more liberal and more up-to-date constitution for the Settlement, providing for increased Chinese participation in the machinery of the administration, but leaving the major framework generally unchanged and the ultimate control in foreign hands; which arrangements were to endure until the time was ripe for the rendition of the Settlement. But it was unfortunately impossible to induce the Chinese Government to give the least consideration to a solution which would postpone indefinitely the re-establishment of Chinese sovereignty over the area.

The solution favoured by many of the foreign ratepayers and residents is the conversion of the whole Shanghai area into an autonomous free city, immune from interference by the Chinese Government and guaranteed by the armed forces of the foreign Powers; who, to the foreign ratepayers of Shanghai, always appear as a *bloc*, solid and indivisible, standing between the Chinese dragon and the Foreign Settlement. But the foreign Powers are not one and indivisible; and the foreign ratepayers are not masters of their fate. The rights of self-government enjoyed by a large section of the polyglot community accrue to them only by accident out of the Land Regulations of 1869. The future of Shanghai depends in the last analysis solely on the attitude of the five principally interested Governments of China, Britain, France, Japan and the United States. Until recently the key to the problem seemed to lie with China. Now it appears to be a question whether Britain and America will be able to maintain the status of the Settlement against the rising ambitions of Japan.¹

¹ Written at the end of 1937.

CHAPTER TWELVE

THE COAST AND INLAND WATER TRADE, FOREIGN MEN-OF-WAR, AND FOREIGN GARRISONS IN CHINA

The remaining grievances of Nationalist China against the Unequal Treaties and the Treaty Powers concern the right of foreigners to navigate, and patrol with men-of-war, the coasts and inland waterways of China, and to station foreign garrisons on Chinese soil.

The merchant vessels of the Treaty Powers engage in China's coasting trade in virtue of the stipulations of the early treaties opening the treaty ports along the coast and navigable waterways to foreign shipping, industry and trade. In practice the coast and river trade, involving the transport of passengers and goods from treaty port to treaty port, is in the hands of two British and sundry Japanese and Chinese shipping companies. A foreign passenger, be he European or American, bound from Shanghai to some port along the China coast or up the Yangtze river, will almost certainly be travelling in a ship belonging to the well-appointed fleets of Messrs. Jardine Matheson and Company or Butterfield and Swire; and nowhere in the world will he find more comfortable accommodation for the vessel's size than in the river steamers of these two British firms. 'Jardines' and 'B. and S.' are public institutions up and down the Yangtze and along the China coast; and for decades the Chinese merchants have benefited, equally with British and other foreign firms and individuals, by the safe, regular and efficient transport offered by their fleets of ships.

But the enterprising foreigner was not content with the

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right of trade between the treaty ports and pressed continuously for something more. In 1898, during the Battle of Concessions, the Chinese Government yielded to this, as to the other demands made upon them by the foreigner; and, in response to pressure, issued the Inland Steam Navigation Regulations of 1898. The concessions granted by these regulations, and confirmed by the Treaty Rules of 1902, were complicated and contentious; but their upshot was that foreign vessels starting from a treaty port could visit any locality in the interior which was recognized as a place of trade and which was visited by Chinese vessels under steam.

The foreigners had got their way; but the results were never very satisfactory. The treaty port system was a reasonable and workable arrangement for enabling foreigners to live and trade in China in the early days; confining their privileged activities to accessible localities in the open ports. But by the inland navigation rights of 1898 the foreigner was able to extend his commercial operations, shielded as they were by extraterritoriality and other special rights and privileges, from the treaty ports into the remote interior; where they competed and came in conflict with local Chinese vested interests. The Chinese in the provinces reacted with passive hostility, obstruction and procrastination; seeking to impede and whittle down in any way they could the rights which their Government had signed away. The question of inland water navigation became in course of time a fertile field for local controversy and incident and the cause of much friction and misunderstanding between the Chinese and foreign Governments.

Especially during the period of China's civil wars the navigation by foreign vessels of the inland waterways was the cause of many local incidents and conflicts arising out of the interference by the warring Chinese armies with the free movement of the foreign ships. Under the theory and practice of extraterritoriality in China the British authorities maintain that a British ship steaming on her lawful business

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through Chinese territorial or inland waters is immune from being boarded, searched or interfered with by any Chinese civil or military authority,¹ and it is the duty of the British navy patrolling China's inland waterways to preserve this immunity for British ships. But it is often easier to lay down principles of policy with pen and ink than to translate them into practice on the spot. Incidents in the remote interior led on occasion to situations as dangerous as they were embarrassing. The worst was the Wanh sien incident of 1926. Steam navigation on the Upper Yangtze between Ichang and Chungking, the latter the farthest up-river treaty port, is carried on in the face of tremendous natural difficulties and obstacles, and only specially constructed vessels can surmount the whirlpools, shallows, rocks and rapids of the famous Yangtze Gorges. Above the Gorges, half-way from Ichang to Chungking, lies the boating town of Wanh sien, sprawling up the hill-side from the river's edge. In this remote locality in Eastern Szechuan a Chinese general detained two British river steamers, following a dispute about the refusal of the British ships to carry Chinese troops and the sinking of a boat-load of Chinese soldiers by the steamers' wash. Behaviour so high-handed and presumptuous as the arrest of British vessels by a Chinese military authority called for immediate chastisement and redress; and gunboats were at once despatched to secure the release of the arrested vessels. Unfortunately the Chinese showed fight and opened fire, shooting down several officers and men out of the British boarding party. The affair developed into a naval action. The British gunboats in self-defence returned the Chinese fire, bombarding Wanh sien with six-inch shells, which caused terrific havoc amongst the crowded matchwood buildings of the Chinese town, and then withdrew, without having obtained the release of the arrested ships. The Wanh sien incident went wrong from first to last and for many years poisoned British relations with the Chinese authorities and

¹ Other than the Chinese Maritime Customs who are authorized under the treaties to exercise a specified measure of control over the shipping of the Treaty Powers.

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people in the neighbourhood. Its only value was to illustrate the dangers inherent in the exercise of treaty rights and the preservation of treaty principles in the remote interior.

A further complication connected with inland water navigation concerns the abuse of foreign flags by Chinese interests. The Chinese are notoriously elastic in their interpretation of patriotic principles; and they see nothing incongruous in denouncing the Unequal Treaties while at the same time seeking to turn the same treaty privileges to their own advantage. The benefits accruing to a ship in Chinese waters from her foreign flag may be considerable; including, especially in time of civil war or political disturbances, immunity from irregular taxation and military interference. Foreign firms and individuals were sometimes found ready to lend, for due consideration, their names and flags to Chinese interests. In Canton waters, Chinese from British-owned Hongkong could fly the British flag on vessels that were to all intents and purposes Chinese. The intricacies of British company and shipping legislation also lent themselves to abuse in a country such as China where British companies and ships enjoy extraterritorial rights. On the Upper Yangtze, and on the inland waterways behind Canton, Chinese launches and river steamers were to be found sailing under foreign colours, British, French, Italian and American. A gunboat might be summoned to protect a foreign vessel against Chinese military interference, only to find her protégé to be a Chinese ship flying a foreign flag. The British authorities of recent years have taken steps to remedy the situation and to ensure that no ship that is not genuinely British-owned may fly the British flag in Chinese waters. But the abuse is always difficult to keep in check.

The cancellation of the foreign right to participate in China's coast and inland water trade is one of the chief points in the treaty revision programme of the Chinese Nationalists; and, when the National Government, during the years 1928

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to 1931, were engaged in their drive for the revision of the Unequal Treaties, they showed their clear intention not only of closing the foreign launch trade in the interior, but also of following the example of Japan and many other countries which reserve the coast trade to their nationals. In the case of the inland water trade the attitude of the Chinese Government was not unreasonable. The arrangements of 1898, admittedly extorted under pressure from the Chinese Government, had been a source of constant friction, incident and controversy. The beneficiaries of the inland steam navigation rights were the foreign shipping companies, who used their inland water privileges to feed their coast and river shipping lines with native produce; and the oil companies, British and American, operating fleets of lighters, boats and launches for the distribution of their products in the far interior; activities which could, if necessary, be carried on, even if less efficiently, by small craft under the Chinese flag. The question of the coast trade, on the other hand, was altogether different; since, in the absence of an effective Chinese mercantile marine, the transport of passengers and goods up and down the coasts and between the treaty ports was mainly dependent on the facilities afforded by the coastal and river steamers of Britain and Japan. The position of the British Government, moreover, was in this respect a strong one; since the policy of the Chinese Government had always been to base their new treaties on principles of equality and reciprocity; and there was in theory nothing to prevent a Chinese vessel plying up and down the coasts of the United Kingdom. The treaty revision negotiations between China and the major Treaty Powers, conducted intermittently from 1928 to 1931, had, however, arrived at no conclusion when they were indefinitely suspended in the latter year by the intervention of the conflict with Japan; leaving *in statu quo* the question of the coast and inland water trade.

Article 52 of the Treaty of Tientsin of 1858 provides that 'British ships of war, coming for no hostile purpose, or being engaged in the pursuit of pirates, shall be at liberty to visit all ports within the dominions of the Emperor of China.' It is in virtue of this treaty stipulation that the naval vessels of the Treaty Powers still patrol the coasts and inland waterways of China. The Chinese Government have always sought to argue that 'ports' should be interpreted as meaning only 'open ports'; with a view to excluding the foreign men-of-war from the more remote localities in the interior and from unopened seaports which might one day be utilized as Chinese naval bases. A controversy on the subject, more or less academic, prevailed for many years; the British Government asserting their contention by dispatching men-of-war periodically to unopened ports; and the Chinese authorities maintaining their position by means of diplomatic protests in reply.

Apart from larger vessels cruising along the coast and up and down the Yangtze river as far as sea-going vessels may proceed, the navies of Britain, Japan, America and France¹ maintain fleets of river gunboats which patrol the Canton river and the Yangtze, the latter for fifteen hundred miles from Chungking to Shanghai. The British flotilla is commanded by the R.A.Y.,² who cruises in his gunboat flagship up and down the river, making his head-quarters at Hankow. A river gunboat is a popular commission for officers and men; a free and easy life and a warm welcome at every treaty port; the attractions of adventure, incident and action; and access to the best wild pheasant, snipe and wildfowl shooting to be had in all the world.

¹ The German gunboats disappeared after the war.

² Rear-Admiral Yangtze.

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For more than half a century British and other foreign men-of-war have thus patrolled the coasts and inland waterways of China. In the days of 'gunboat policies' these naval forces were on occasion used for purposes of national aggression, to protect the interests of foreign bondholders, and to support political demands. But on the whole the British Navy has for generations played in Chinese waters the role of beneficent policeman, supporting law and order, suppressing piracy and brigandage, and protecting foreign life and property against mob outrage, riot and assault. The Chinese people up and down the Yangtze river have learned to know and understand the British Navy and to appreciate its discipline, fairness and restraint; so that it may be assumed as a principle of policy that naval forces can be employed in the protection of foreign life and property in China with less risk of incident and conflict than arises in the case of utilizing foreign military troops.

Yet Young China has for many years chafed under the presence in Chinese coast and river ports of foreign men-of-war, coming and going according to their pleasure, without permission being asked for or received; and the question of the patrol by foreign navies of China's territorial and inland waters has become one of the standard grievances of Chinese nationalism against the Treaty Powers. When the anti-foreign armies of the Kuomintang reached the Yangtze in 1927 the situation was for a time dangerously acute. British gunboats were frequently in action against Communist and Nationalist forces on the river banks; and only the wise restraint exercised by the British Navy averted general hostilities. After the situation had subsided and the National Government had been established at Nanking, the grievance was accentuated by the presence of foreign cruisers, gunboats and destroyers anchored in the river off the capital. The Nationalists had been able, by the removal of the seat of government, to ignore the humiliations of the Peking 'Legation Guards'; only, it seemed, to be saddled in perpetuity with the indignity of foreign guardships standing watch over their new capital.

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In 1937, in the course of the warlike operations between China and Japan, the Japanese blasted their way, with naval and military gunfire and aerial bombardment, up the Yangtze from Shanghai to Nanking. The river gunboats of Britain and America, enclosed in the narrow channels of the Yangtze, did not escape unscathed. H.M.S. *Ladybird* was damaged and the United States gunboat *Panay* sunk. There may have been some amongst the millions of Britain and America, who, reading their daily breakfast-table news about strained relations with Japan, wondered what the *Panay* and the *Ladybird* were doing up the Yangtze anyway. The above paragraphs supply the answer; and invite the further question whether a useful purpose is any longer served by the presence of foreign men-of-war in Chinese inland waterways.

In the old days the British gunboat was the sheet-anchor of security for the isolated communities of foreigners dotted up and down the Yangtze Valley. In times of banditry, civil and military commotion, and anti-foreign riot, the White Ensign steaming into port was on innumerable occasions the signal for the restoration of confidence and order. British naval tact and discipline and common sense coped successfully with countless local crises in the treaty ports of China. Only on rare occasions did things go wrong; as they went wrong at Wanh sien in 1926. It was true that during the greater part of the European War the British Government, respecting the neutrality of China, agreed to the internment of the British river gunboats on the Yangtze; and that no untoward results ensued. Had the Chinese been able, after the conclusion of hostilities, to establish a reasonable measure of stability of government, the foreign policing of China's inland waterways might have been brought voluntarily to an end. Unfortunately the years immediately following the war witnessed the worst of the period of Chinese political disorders, culminating in the Communist excesses of 1927; when the naval forces of Britain and America frequently shielded foreign life and property from anti-foreign riots and assault.

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But, in the decade following the storms of 1927, as the new National Government consolidated their authority in Central China, the presence up the Yangtze of the foreign men-of-war became increasingly anomalous. There were no longer any riots, bandit attacks or civil or military disturbances against which the gunboats could protect the foreign residents. And, with the growth of the armaments of Nationalist China, the foreign men-of-war in Chinese inland waterways were but hostages to fortune in the event of serious conflict between China and the foreign governments concerned. Japan's first action, when she decided on war with China in 1937, was to evacuate the Japanese Concession at Hankow and withdraw the Japanese communities and gunboats from the Yangtze river.

The various safeguards of the Unequal Treaties, extritoriality, concessions and foreign settlements, and the patrolling of China's inland waterways by foreign men-of-war, were all designed as part of an international arrangement for the protection of foreigners against the disorders and excesses of the Chinese. Gradually, as the Chinese set their affairs in order, the need for this special protection passed away. But, in the place of the old, new dangers then arose; in the repercussions on vested foreign interests of the growing conflict between China and Japan. Foreign control over the Shanghai Settlement, designed to protect its foreign residents against Chinese interference, saved their property from being blown to smithereens by the gunfire and aerial bombardment of the Japanese. And the foreign gunboats on the Yangtze, no longer required as a protection against Chinese mob attacks, have served as shields and refuges for the foreign communities harassed by the dangers and disorders resulting from the invasion of China by Japan.

If the Japanese had been content to keep their hands off China and allow the Chinese unembarrassed opportunity to develop their resources and stabilize their government, the time would surely soon have come when Britain and America would have withdrawn their men-of-war from Chinese territorial and inland waterways. Unfortunately

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a strong, orderly and united China ran counter to the plans and ambitions of Japan, with the result that the Japanese naval and military forces intervened. It seems that the clock will now be set back many years in China; and that all foreigners, other than the Japanese, will have cause to hope that the White Ensign and the Stars and Stripes will continue to show themselves along the Yangtze river and up and down the China coast.

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The foreign military garrisons in China fall under three categories: the troops which since 1900 have occupied North China under the Boxer Protocol; the railway guards, Russian and Japanese, who formerly garrisoned the railway zones of the Chinese Eastern and South Manchurian Railways in Manchuria; and the forces landed in times of emergency to protect foreign life and property in the foreign-controlled Settlement and Concession areas.

Under the Boxer Protocol China ceded to the Treaty Powers the right to guard with foreign troops the railway from Peking to the sea; and in the capital itself there was marked out an area surrounding the Legations of the leading Powers which was fortified and placed under foreign military and administrative control. No term was fixed for these extraordinary measures nor was any limit placed upon the numbers of the foreign garrisons. Thus there came into existence that unique establishment, the Peking Legation Quarter, where, behind their ramparts, moats and glacis, the Diplomatic Body and Legation Guards dwelled in an atmosphere of pleasant, sheltered ease, singularly unaffected by the surrounding stream of Chinese life. The Quarter comprises a small section of the Tartar City of Peking, lying along and inside the mighty city wall, which serves as one

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sector of its fortified perimeter; the loopholed walls and glacis of the Legations having frontage on the Chinese streets furnishing the remaining sectors of the area.

After the European War the foreign forces occupying the Peking Legation Quarter, Tientsin and the railway to the sea were reduced to detachments of British, American, Japanese, French and Italian troops. The situation of the Legation Guards was by this time more than a little out of date, since there were no longer any Boxer mobs likely to assault the foreign diplomats; while the Quarter's antiquated ramparts and defences would have been quite untenable if attacked by modern armaments. Meanwhile Chinese civil wars, in which relatively little blood was shed, raged in the early post-war years almost continuously round the capital and up and down the railway line. The Diplomatic Body and the foreign commandants wrestled with knotty problems concerning the maintenance of free communications between Peking and the sea. If a battle between rival Chinese war-lords interfered with a race meeting or other social function or the summer exodus to the sea resorts, the foreign residents clamoured for military action in accordance with the Boxer Protocol. International trains, draped with foreign flags and bristling with foreign military guards, ran the gauntlet between the rival Chinese forces fighting up and down the railway line. But no Chinese general was so ill-advised as to risk a conflict with the foreign troops. The foreign community in the Legation Quarter played at being a beleaguered garrison; enjoying the thrills without the dangers of a state of war.

In 1928 the Kuomintang, victorious over their internal enemies, removed the capital of China from Peking to Nanking, forcing a gradual migration of the foreign diplomatic representatives. But still the garrisons of foreign troops remained, guarding the empty buildings of the Embassies; until in 1937 Peking fell to the Japanese.

The withdrawal from North China of all the foreign troops after the European War would have been the most potent of contributions to the peace of eastern Asia. Unfortunately

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the Chinese war-lords, with their senseless civil wars, afforded ample pretexts for delaying any general evacuation; with the inevitable result that a time came when the Japanese made use of their military prerogatives and rights under the Boxer Protocol to further their invasion of China from Manchuria; and an uneasy situation eventually developed in which the armed forces of Britain, America, Italy and France remained in North China, not to protect their diplomatic representatives against a repetition of the outrages of 1900, but to uphold their national prestige and interests against the Japanese.

The Manchurian railway agreements between China, Russia and Japan gave to the Russians and the Japanese the right to guard with military forces their sections of the railway zones. The Russian guards on the Chinese Eastern Railway disappeared with the Russian revolution and the arrival of the Bolsheviks. But on the South Manchurian Railway the Japanese military guards, detachments from the Kuantung Army,¹ played an important part in the plans of the Japanese military chiefs to secure control over Manchuria. When, after the European War, Chinese nationalism awoke to the realities of the humiliations imposed on China by the Treaty Powers, it found in South Manchuria the main trunk railway line owned, garrisoned and operated by a foreign Power. There could be but three alternative solutions to such a situation: the withdrawal of the Chinese Nationalists, the surrender of the railway by the Japanese, or open conflict. The inevitable head-on collision came in September, 1931, through the Japanese railway guards, whether of set purpose or by chance, coming into conflict with the local Chinese troops. Since then the question of the railway guards has solved itself by Manchuria becoming a Japanese protectorate.

The circumstances in which the British and other foreign troops came to be landed in Shanghai in 1927 have already

¹ The garrison of Port Arthur and the Liaotung (or Kuantung) Leased Territory.

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been reviewed. The Chinese Government protested that the foreigners had exceeded treaty rights. But, while it may be difficult to quote the treaties in support of the stationing of foreign troops in and around the Shanghai Settlement, it follows that the foreign Governments must have the right to police in whatever manner they see fit the Settlement or Concession areas placed by China under their administrative control. British troops and British naval ratings have on numerous occasions been landed for the protection of life and property in the British Concessions at the treaty ports. The origins of the rights of foreign control over the International Settlement and French Concession at Shanghai are indeed more than a little hazy. But, whatever they may be, they have come to be accepted as authorizing the international community of the Foreign Settlement, and the French authorities in their Concession, to protect themselves and their administrations with local military detachments and police; so that it is impossible to deny to the interested foreign Governments the right to support these local foreign forces with foreign military troops. But, as has already been explained, the foreign garrisons remained in Shanghai after their presence was no longer necessary; thus helping to precipitate the clash which led to war between China and Japan.

CHAPTER THIRTEEN

THE STORY OF THE LEASED TERRITORIES

The Leased Territories, Kiaochow, Port Arthur, Kwangchow-wan, Kowloon and Weihaiwei, all date from 1898, the year of the battle of concessions and the threatened dismemberment of China. Once the precedent had been established by the German occupation of Kiaochow, the 'balance of power' demanded that each great European nation should be possessed of a 'coaling station' on the China coast. Germany, Russia, Britain, France, one after the other each gave the Chinese Government forcefully to understand that it was desirable that the selected anchorage and hinterland should be leased to them for a period of years.

Of the great Powers only Japan and America refrained from joining in the hunt; Japan because she had not yet quite grown up to the status of a first-class Power and because she was still uncertain of her future policy in China; and the United States because they were at that time occupied with their Philippine adventure, and because the acquisition of territory in China would in any case have been against the moral principles of the State Department's policy. Italy rather half-heartedly put forward a demand for the lease of Sanmen Bay in Chekiang, which the Chinese Government had the good sense and courage to refuse. The Japanese, in order not to be left out altogether in the cold, followed the example of the French and British Governments in demanding and securing assurances that the Chinese Government would never alienate to any other Power the province of Fukien, which, lying opposite Formosa, came to be earmarked as a Japanese preserve.¹

¹ France and Britain secured similar non-alienation assurances as regards the provinces contiguous to Indo-China and those in the Yangtze Valley respectively.

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The Leased Territories were ceded by China with full sovereignty for the designated period. In the case of the Settlements and Concessions at the treaty ports, the areas in question, though handed over to foreign administrative control, were not in theory alienated from China; the Chinese inhabitants remaining under Chinese jurisdiction and foreigners enjoying extraterritorial rights. But in the Leased Territories the Lessee Power exercised full and unfettered jurisdiction over every one within their boundaries, whether Chinese, Japanese, European or American, and treated the area in every way as a colonial possession of its own.

Port Arthur and Kiaochow passed in due course under Japanese dominion; but for twenty years there seemed small prospect of any of the Leased Territories being returned to China before the expiration of the designated periods. In 1919 the Chinese Government optimistically raised the matter at Versailles, and again at Washington in 1922; claiming that the cessions had been made in 1898 to maintain the balance of power after Germany had seized Kiaochow and Russia the Liaotung peninsula; and that, Germany and Russia having been eliminated, there was no longer any need for the remaining Powers to keep their strongholds on the China coast. At Versailles the answer was a refusal to discuss matters so irrelevant; with the suggestion that China would be able later on to state her case before the League of Nations. At Washington the attitude of the Powers was more accommodating; and Britain and Japan, acting in accordance with the spirit of the times, declared their readiness to retrocede to China Weihaiwei and the Kiaochow territory.

Germany set the ball rolling in the scramble for coaling stations and Leased Territories on the China coast. The collapse of the Chinese forces in the war with Japan in 1894 encouraged the belief amongst the Western Powers that the dissolution of the Chinese Empire was at hand. As early as 1895 or 1896 the Kaiser and his Government, pursuing their *Welt-Politik* and seeking a place for Germany

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in the Far Eastern sun, approached the Chinese Government with a request for a coaling station as a reward for their assistance in securing the restoration to China of the Liaotung peninsula. Germany's choice fell upon the Kiaochow bay, with the populous Shantung hinterland as a sphere of influence which might one day develop into a Far Eastern German colony. Russia was known to be contemplating the absorption of North China, Manchuria, Mongolia and Turkistan; Britain asserted a predominant position in the Yangtze Valley; and farther to the South Japan and France were staking out their claims to spheres of special interest. Shantung was obviously indicated for the German sphere of influence, provided only Russia could be squared.

At first Germany, as a comparative new-comer on the Far Eastern scene, pursued with the Chinese Government the normal methods of polite diplomacy; arguing that she was without an eastern coaling station for her fleet and that the balance of Far Eastern power required a German *point d'appui* in eastern Asia. But, meeting with Chinese opposition and prevarication, the Kaiser learned to imitate the forceful methods of the other Powers with more experience in dealing with the affairs of China. By the beginning of 1897 the records show Germany angrily demanding an immediate lease of Kiaochow bay. Still the Chinese Ministers resisted and delayed, seeking as usual to play off one foreign Power against another and manœuvring for the support of Russia. The Kaiser now began to stamp his foot and talk of occupying first and negotiating afterwards.

Then, in November 1897, two German Catholic missionaries were opportunely murdered by Chinese brigands in Shantung. The Kaiser shook the mailed fist and ordered his Far Eastern squadron to occupy the Kiaochow bay, formulating demands and threatening reprisals. At the same time the German Government sought to placate Russia and Britain with assurances of Germany's intention to confine herself to Shantung province and respect the Russian and the British spheres of influence. The German manœuvres

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were successful; and in March of 1898 the Chinese Government signed the Kiaochow Convention, granting to Germany all that she desired; the lease for ninety-nine years of Kiaochow territory, bay and islands, the right to build and operate a railway to the provincial capital, mining concessions along the railway line, and preferential rights for German trade and industry in Shantung province.

Kiaochow bay is one of the best natural anchorages along the coast of China. During the fourteen years they ruled the territory the Germans built a fine harbour and a European town, Tsingtao, which grew into a first-class port, one of the leading commercial centres on the China coast, and the most agreeable residential city and summer holiday resort in all the East. Good roads led through the territory, and a well-built German railway, two hundred and fifty miles in length, penetrated the hinterland, connecting Tsingtao with Tsinan, the provincial capital.¹

The Germans, with characteristic efficiency and thoroughness, had made the most of their Leased Territory and the exploitation of its Shantung hinterland when the whole enterprise was shattered by the European War. In the autumn of 1914 Japan, anxious lest Germany should voluntarily return Kiaochow to China,² hurriedly served notice on the German Government to quit and pushed forward her preparations for the reduction of the German stronghold. A battalion of British troops, from the North China garrison, and some British men-of-war were allowed to be associated with the Japanese naval and military forces as a gesture of British participation in the enterprise. The Japanese, ignoring the neutrality of China, landed their military forces on the Shantung coast, invested the German

¹ Kiaochow (*Chiao-chow*) was the name of the Chinese district and district city, the latter lying a short distance from the coast; Tsingtao (*Ch'ing-tao*) was the name of the Chinese port at the opening of Kiaochow bay.

² The Kiaochow Convention provided that China would cede to Germany a more suitable place and refund the expenditure incurred if before the expiration of the lease Germany desired to return Kiaochow to China.

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positions from the landward side, and after a brief campaign carried the defences by assault.

For eight years the Japanese ruled in Kiaochow, having secured in the Treaty of Versailles the legal transfer to their ownership of the territory and all the German properties, rights and interests in Shantung province. But Chinese nationalism was by now a force which could no longer be ignored. The Chinese Government on account of the Shantung award refused to sign the Peace Treaty with Germany; and, after an uneasy interval of boycott and agitation, Japan agreed at Washington in 1922 to hand the Kiaochow Territory, Tsingtao, the railway, and the other alienated rights and properties back to the Chinese Government.

China thus became after all possessed of the fine German-built city of Tsingtao, with its harbour, docks and public works, and the well-constructed railway to Tsinan. The times were unpropitious for handing valuable properties over to the Peking Government, which was already losing its authority over a China torn by banditry and civil war. Foreign opinion was loud in prophesying disastrous consequences for the foreign interests concerned with Tsingtao's commerce, shipping, industry and real estate. But the Chinese have a way of muddling through; and, though there was some deterioration during the political vicissitudes of the succeeding years, the Chinese administration of Tsingtao functioned on the whole not unsuccessfully. Municipal services and amenities were somehow or other tolerably well maintained; the trade of the port steadily increased; and the large foreign community of Germans, Russians, Japanese and other nationalities lived contentedly enough under Chinese administrative and police control.

The Japanese naturally retained a special interest in Tsingtao, where Japanese commerce and industry had established a considerable stake; and, during the troubled times of the Kuomintang advance into North China, Japanese troops were landed for the protection of Japanese interests. Thereafter the situation in Shantung settled down under a

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governor who contrived to carry out his obligations to Nanking while remaining reasonably amenable to the influence of the Japanese.¹ Tsingtao under Chinese rule began again to forge ahead. But the outbreak of war between China and Japan in 1937 ushered in yet another chapter in its chequered history. After a period of tension and anxiety the Chinese military forces and the local government withdrew in January of 1938; and, forty years after the first German occupation, Kiaochow passed for the second time under Japanese control.

The Russians did not want the Germans on the Shantung littoral and did not hesitate to encourage secretly Chinese resistance to the German Government's demands. But, when the Kaiser faced them with an accomplished fact, the Russian Government, instead of coming to the support of China, hurriedly in December of 1898 dispatched their men-of-war to anchor off Port Arthur in the bay of Talienwan. They then proceeded to open negotiations for a lease of Port Arthur and the Kwantung territory;² putting forward the familiar arguments: that Germany had been permitted to acquire Kiaochow; that Russia was without an ice-free port in the Pacific; and that it was therefore necessary to lease them Port Arthur if the balance of power was to be properly preserved.

According to the *Memoirs of Count Witte*, the Chinese Government, supported by the diplomatic representatives of Britain and Japan, at first obstinately refused the Russian Government's demands. The Russian men-of-war lying off Port Arthur cleared for action; and Count Witte, according to his own account, in order to avoid bloodshed, resorted thereupon to bribery, telegraphing to his Peking agents to offer Li Hung-ch'ang the sum of half a million roubles.

¹ He was executed in the war for failing to resist the invasion of his province by the Japanese.

² The tip of the Liaotung peninsula which Japan had seized after the war of 1894 but which she had subsequently restored to China following the intervention of Russia, Germany and France.

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Whether as the result of threats or bribes or both, the Chinese Government now yielded and agreed to the Russian Government's demands. Under the agreement concluded in March of 1898 China leased for twenty-five years to Russia Port Arthur, Talienwan (Dalny) and the Kwantung territory, the period being subject to extension by mutual consent. 'Thus by the use of force and fraud the Russians entrenched themselves in the very territory which they had made Japan disgorge in 1895.'

It was not surprising that the new Japan, then in process of construction on the model of the European Powers, should have been brought to the belief that might was right in international affairs and that only by building up its naval and military strength could a nation be reasonably sure of reaping where it sowed. That was the lesson taught Japan by the European Powers in 1898. Six years later she was ready to call the Russian Empire to account.

Having acquired their lease the Russians proceeded to fortify Port Arthur, which was converted into one of the greatest strongholds in the world, built the modern town and port of Dalny (now Dairen), and extended the Chinese Eastern Railway southward from Harbin to their new naval station on the China seas. Manchuria was in a fair way to becoming a protectorate of Russia when Japan threw down the gauntlet in the war of 1904. Port Arthur was besieged, falling eventually to a gallant feat of arms, the Russian fleet was destroyed and their land forces driven back to North Manchuria; and the Japanese became, under the peace settlements of 1905, the legal holders of the lease of the Kwantung peninsula, the railway and the other Russian rights and interests in South Manchuria.

The rights and interests which Japan thus wrested by force of arms from Russia gave her an immensely strong position in Manchuria. The Kwantung territory, over thirteen hundred square miles in area, together with the railway and the railway settlements and railway zone, became

¹ Quoted from Mr. Joseph's *Foreign Diplomacy in China*.

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a Japanese colony under the administration of a governor and garrisoned by a powerful military force. The garrison, the Kwantung Army, was not confined to the territory, but occupied the whole railway under the peace settlement, which gave to Japan the right to station in the railway zone troops to the amount of fifteen men to every kilometre of the line. But the Japanese stranglehold on South Manchuria was based on the Russian leases of 1898, which were due to expire in 1923. To give them up would have meant for Japan abandoning her ambitions in Manchuria; it was inconceivable that she would do so, save as the result of military defeat. (As well expect Britain to yield Gibraltar or her hold over the Canal.) Thus arose the policy of the Twenty-One Demands, as the result of which the leases were in 1915 extended to terms of ninety-nine years. The Manchurian leases and the Twenty-One Demands lie at the root of the conflict between China and Japan; and when one thus probes back to the beginnings of events it is not so easy to ascribe the blame. Since then the whole question of Japan's leases in Manchuria has been disposed of—whether temporarily or permanently, time alone will show—by the conversion of the Three Eastern Provinces into Japanese-protected Manchukuo.

Britain's chief rival and opponent in the Far East in 1898 was Russia; and, during the scramble for Chinese coaling stations and Leased Territories, British policy had been directed towards preserving the territorial integrity of China and preventing the acquisition by Russia of a stronghold on the China coast. Holding Hongkong Britain was already furnished with the best of naval bases in the East, and was under no strategical necessity of acquiring a coaling station farther north. But, when the Russian occupation of Port Arthur was an accomplished fact, the British Government felt called upon to make assertion of their interests, and they immediately proceeded with a plan already pre-arranged to acquire the harbour of Weihaiwei as a counter-weight.

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The bay of Weihaiwei is another natural harbour on the Shantung coast, lying to the north (as Kiaochow lies to the south) of the Shantung promontory, and therefore immediately opposite Port Arthur. It had formerly been something of a Chinese naval base, before the destruction of China's embryonic navy by the Japanese in the war of 1894, and Japanese troops were still, in 1898, in occupation. The consent of the Japanese Government having been obtained, Britain demanded of China the lease of Weihaiwei on the same terms as those on which Port Arthur had been ceded to the Russian Government. The negotiations passed through the customary stages, the Chinese Government at first prevaricating and delaying their reply, but ultimately yielding to covert threats of force. The lease agreement was signed on July 1, 1898, and provided for the cession of the territory, bay and islands to the British Government for such period as Russia remained in occupation of Port Arthur, subject to the stipulation that China should be allowed to use the anchorage for her men-of-war.

The British Government made no attempt seriously to fortify Weihaiwei, nor did they seek to build a town or port, nor to develop its connexion with the Shantung hinterland, being content to utilize the place solely as a summer resort for the British China squadron from Hongkong. Under the benevolent administration of its British Commissioner, Weihaiwei developed during the succeeding years into a pleasant holiday resort, not only for the British Navy, but also for many British residents from up and down the China coast. The territory embraced a bay and a large island, Liukungtao, lying across the entrance and enclosing an anchorage, safe and secluded. The island was reserved for naval use, with barracks, hospitals, clubs, canteens and recreation grounds; while the mainland was dotted with the bungalows of the civilian summer residents. Weihaiwei was but a pleasant sleepy hollow in the summer months, while in the winter it was little better than a Chinese fishing port.

The even tenor of the British Weihaiwei administration continued undisturbed until at Washington in 1922, after

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Japan had been induced to promise to return Tsingtao to China, the British representative, feeling the psychological moment for a gesture had arrived, declared the readiness of Britain, on like terms and like conditions, to return Weihaiwei to the Chinese Government. Later on the British Government attached an important stipulation to the proffered retrocession of the territory—that adequate arrangements should be made for the continued use of Weihaiwei as a summer holiday resort and convalescent camp for British men-of-war.

British official procedure is almost always scrupulously honest, but often inordinately slow, and it was eight years before the rendition of Weihaiwei was carried into practical effect. The negotiations were opened in reasonable time, in 1922, and dragged on into 1924. A draft agreement acceptable to both Governments was finally elaborated, but on the eve of signature one of the periodic Chinese civil wars broke out, and the Peking Government with which the negotiations had been carried on vanished in a local *coup d'état*.

During the next few years the disordered state of China and the rise of the new militant nationalism in the south, led to the rendition of Weihaiwei being shelved. This was the time when the 'die-hard' elements amongst the treaty-port communities were loudest in their criticisms and denunciations of all concessions to the Chinese Nationalists. According to these prophets of disaster, the rendition of the Leased Territory of Weihaiwei spelt the decline and fall of the prestige of Britain in the East, the ruin of local British vested interests, and the exposure of the Chinese inhabitants to the depredations of brigands and the oppression of the Kuomintang. Whether or not British policy was influenced by these treaty-port forebodings, the disunited state of China afforded ample grounds for leaving well alone. Meanwhile the Colonial Office, which had never taken more than a luke-warm interest in this Cinderella of the Empire, showed an increasing inclination to wash their hands of the territory of Weihaiwei, which was for many years successfully

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administered by officers seconded from the British Consular establishment in China.

After a five-years' interval the question of rendition was taken up afresh with the new National Government of China, which had by then achieved the recognition of the foreign Powers. Further delay ensued, however, because the Nationalists, flushed with the success of their drive against the foreign treaties, demanded at first the unconditional rendition of the territory. It was recalled that Weihaiwei had been the cradle of the Chinese Navy, and it was suggested that it was well suited to become again a Chinese naval base. Britain was charged with seeking to retain the kernel while offering to return the husk, and Chinese nationalist propaganda, still inflamed with anti-foreign prejudices, professed to see the sinister forces of imperialism in the British attitude. Actually the requirements of the British Government were in fact reasonable and innocent enough: merely that the British Navy should continue to make use of Liukungtao as a summer holiday resort. In any case naval considerations are with Britain always paramount, and the negotiations once more faded out.

A year later, however, in 1930, the Chinese Government agreed after all to come to terms, and in April the agreements for the rendition of Weihaiwei were at length concluded. The main convention provided for the retrocession of the territory, bay and islands, the Chinese Government undertaking to confirm the titles of the owners of property and real estate, and to maintain the conveniences and amenities of the area as an open port; while a subsidiary agreement accorded to the British Government the loan for ten years of the anchorage and the necessary naval facilities on Liukungtao, with the option of renewal on terms to be mutually agreed upon.

Weihaiwei was handed back to China on October 1, 1930, after two-and-thirty years of British rule. No adverse consequences ensued for British naval or civilian interests from the rendition of the territory. Each summer the British Fleet migrates, as in the days before rendition, from the steamy

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heat of Hongkong waters to the cooler Weihaiwei anchorages; British bluejackets still throng the canteens, clubs and recreation grounds on Liukungtao; and British residents, fleeing from the summer heat of Shanghai, North China and the Yangtze Valley, still fill the same hotels and bungalows. In 1940 the agreement for naval facilities will have to be renewed. It will be more than ever in the interests of China to continue her hospitality to the British Fleet.

The French in 1898 were working hand-in-glove with Russia: and, at the same time as the Russian Government demanded the lease of Talienwan, the French put forward their demands which included the lease of a naval station on the Kwangtung coast. After a few weeks' negotiation the Chinese Government, faced with the threats of the Franco-Russian *bloc*, yielded and in April of 1898 exchanged with the French Government notes accepting all of their demands. Under the lease agreement, which was not finally concluded until two years later, China leased for ninety-nine years to France the territory and bay of Kwangchow-wan.

The Leased Territory of Kwangchow-wan, two hundred square miles in area, embraces the usual bay, hinterland and islands lying on the Kwangtung coast between Hongkong and the island of Hainan. The place has never been developed and remains a remote backwater seldom visited by foreigners; and, in view of its proximity to Indo-China, can be of little value to the French Republic save to minister to French prestige. At Washington in 1922 the French representatives declared the willingness of France to join in any collective restitution of Leased Territories, adding that the French Government would arrange directly with the Chinese Government when and on what conditions the retrocession of Kwangchow-wan was to be made: statements which did not materially modify the French position. Later on, when the Chinese raised the matter, the French Government refused to enter on negotiations owing to their controversy with China over the gold franc affair; and subsequently no

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occasion, from the French point of view, arose for negotiating the return of Kwangchow-wan.

The immediate consequences to China of the lease to France of Kwangchow-wan were the same as those following the lease to Russia of Port Arthur and the bay of Talienwan. The British Government had sought to check the lease of a southern port to the French Government by warning China that it would entail their putting forward similar demands; and, within a few days of the exchange of notes with France, Britain demanded an extension of the Kowloon mainland territory adequate for the defence requirements of Hongkong. The island of Hongkong itself had been ceded in perpetuity to Britain in 1842, and in 1860 a small portion of the Kowloon peninsula on the mainland opposite was similarly handed over. Under the lease agreement of June 9, 1898, China leased for ninety-nine years to Britain the whole of the rest of the Kowloon peninsula, with bays and islands, thus adding the New Territories, 350 square miles in area, to the British colony. On each occasion when the question of Kowloon has since been raised, the British Government have intimated that the New Territories are regarded as essential to the defence requirements of the island of Hongkong, and that their rendition can under no circumstances be contemplated.

Macao is not a Leased Territory, but a Portuguese possession.¹ Of the five Leased Territories, China has been fortunate in recovering Kiaochow and Weihaiwei; Kwangchow-wan and Kowloon remain in French and British hands; and the Kwantung territory has passed under Japanese control. France can have little reason for retaining Kwangchow-wan, which could at any time be handed back to China without prejudice to French commercial or strategic interests. The Kwantung territory will never be surrendered by Japan, unless she finds it in her interests to merge the area in her Manchukuo protectorate. And, as regards Kowloon, Hongkong has never been, and is never in the future likely to become,

¹ See Chapter V.

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a threat to the independence or integrity of China; British policy in the Far East has always stood for a China united, independent and intact; and, as long as Hongkong remains an outpost of the British Empire, China has nothing to gain and much to lose by pressing for the rendition of the Kowloon territory.

CHAPTER FOURTEEN

THE CHINESE GOVERNMENT, THE COMMUNISTS, AND THE KUOMINTANG

The Government of the Republic of China started its chequered career under a Provisional Constitution enacted by the revolutionary leaders after the abdication of the Manchu Dynasty early in the year 1912. Since then many Chinese constitutions have been drafted, amended and discussed. The attempt of the Republicans to establish a democratic form of government ended in dismal failure; leading, after the two years of Yuan Shih-k'ai's dictatorship, to the era of political anarchy and civil wars. Those long and dreary years of factional strife and military misrule showed that the Chinese people were incapable of evolving a stable government based on democratic principles. The ideology of suffrage, parliaments and rule by popular majority was alien to their nature and philosophy of life; and, there being no superior authority, such as is represented by the British power in India, to impose a western democratic form of government upon them from above, the business of elected parliaments, responsible cabinets, parties and presidents, just would not work. Authority and power, never vested in the people, passed automatically into the hands of the men provided with the guns. The commander of troops was able to impose and collect such taxes as he could, and with the resulting funds to raise more soldiers, so as to collect more taxes in a wider area, until his authority was challenged by some neighbouring or rival general. Thus arose the interminable 'wars of the rice-bowls', with control of Peking and the recognized Government of China as the ultimate prize for

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all competitors. The Chinese people and their treasury became progressively impoverished, while the more successful of the war-lords amassed enormous fortunes which were stowed away in banks and safe deposits in the foreign settlements.

Meanwhile Sun Yat-sen and his Kuomintang, the People's Party of the southern revolutionaries, beat the air in Canton, without seeming to be more than one of many Chinese warring factions. But they kept the flag of the revolution flying; and the time came when, in 1925 and 1926, the Russians taught them the technique of modern revolution, the one-party system and the dictatorship of party government. Like the Communists in Russia, the Fascists in Italy and the Nazis in the new Germany, the Chinese Nationalists created in the Kuomintang a party which could brook no rivalry. Every individual and faction that was not with them was a potential enemy to be suppressed. Only one exception to this universal rule was made—members of the Chinese Communist Party, offspring of the Russian Comintern, were for reasons of expediency and policy admitted into the Chinese nationalist fold. But, when the break with Russia came in 1927, the alliance between Kuomintang and C.C.P. came to a violent end, and for the next ten years, from 1927 to 1937, the Kuomintang reckoned the Russians and the Communists amongst their most bitter enemies.

Yet the system of 'committee government', which the Kuomintang were successful in establishing in China, owed its inception to Russian inspiration, and was modelled on Russian revolutionary principles. The party, which had to be unchallenged and supreme and able through its organs to impose its will in every branch of the national activities, gave birth to the government, central and local, under which the country was to be administered in accordance with the party's principles.

The theory on which the Kuomintang claimed to be operating, under the teachings of the immortal Dr. Sun Yat-sen, envisaged three stages in the establishment of a regenerated Chinese State. Firstly, the period of the military

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subjugation of the country by the Kuomintang; secondly, the period of the political tutelage of the people by the party; and thirdly, the constitutional era when democratic government would somehow or other be achieved.

It used to be the fashion amongst foreigners in China to sneer at and criticize the Chinese Kuomintang. Yet, failing a better programme, which no one seemed able to evolve, Sun Yat-sen's plan did in fact furnish the most practical solution of the problem of the government of China. The first stage was considered to have been brought to a successful close (though the civil wars were far from being at an end) when the National Government was established at Nanking in 1928; the second was still in operation, with elaborate plans for the enactment of yet another constitution, when the whole programme was disrupted by the conflict with Japan.

The ultimate authority in the Kuomintang system is vested in the National Congress of the party, which is supposed to meet periodically and to be constituted of delegates from the party organizations throughout China and in foreign lands. The decisions of the Party Congress are carried out by the Central Executive Committee, the most important organ of the party, which in turn gives birth on the one hand to the National Government and on the other to the various party offices (*Tang-pu*) in the country and abroad. There thus issue from the Central Executive Committee two parallel lines of organs, governmental and party, the functions of the former to administer the central and local governments, and of the latter, by political, propagandist and other activities, to promote the party's aims and interests.

In the early days, when the Kuomintang were still intoxicated with success and reacting to extremist influences, these party offices, the *Tang-pu*, achieved an evil reputation, not only on account of their activities in China, but also in connexion with those amongst the Chinese overseas communities. It was natural that the *Tang-pu* and all their works should have been anathema to the foreigners in the treaty

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ports. And, as the party organizations spread their tentacles from South and Central China into the northern provinces, the Kuomintang agitators, though everywhere acclaimed by students and intellectuals, were received with little enthusiasm and less understanding by the more stolid peasants and merchants of the North.

Overseas, in British-ruled Malaya and the Netherlands East Indies, the *Tang-pu* of the Kuomintang came into serious conflict with the local Governments. At Singapore, and in the interior of the Federated States, the Chinese immigrants, ranging from labourers to merchants of wealth and enterprise, dominate the economic life of the Malay peninsula. Many of these Chinese settlers in Malaya are British born and entitled to the rights and privileges of British nationality. But, according to the laws, instincts and traditions of the Chinese people, an individual of Chinese name and blood remains a Chinese to the end of time; and deep in the soul of every overseas Chinese there lies the ineradicable call of his Chinese ancestry and blood. The *Tang-pu* threw the net of their organization over the whole of the Malay peninsula, penetrating the Chinese homes and clubs and schools with the teachings of Sun Yat-sen and the propaganda of the Kuomintang. The British authorities saw a real danger in the growing influence of this militant Chinese nationalism in a British colony. In 1930 a new governor arrived in Singapore and as his first act declared the Kuomintang an illegal association in Malaya and ordered the dissolution of the *Tang-pu* and the suppression of all Kuomintang activities. As the British Government had by that time recognized the Kuomintang régime as the Government of China and were engaged on the task of coming to terms with the new nationalism, a situation of some difficulty and delicacy arose, until the matter was adjusted through the channels of diplomacy and the elaboration of a formula which satisfied the Singapore authorities and at the same time adequately preserved the Chinese nationalist 'face'. Later on, as the Kuomintang sobered with the responsibilities of government and shed much of their anti-imperialistic pro-

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paganda, the problem of the *Tang-pu* in Malaya gradually evaporated.

On the governmental side the Central Executive Committee of the Kuomintang gives birth to the National Government of the Republic of China, composed of a President, whose position is titular rather than executive, and five *Yuan*, or governing committees: the Legislative *Yuan*, charged with the making of laws; the Judicial *Yuan*, charged with the administration of justice and the courts of law; the Examination *Yuan* charged with selection of officials of the public service; the Control *Yuan*, charged with the supervision of the national administration and its finances; and the Executive *Yuan*, charged with the actual administration of the government. Under the Executive *Yuan*, whose functions take one on to more familiar ground, are the various ministries and departments of the Central and Local Governments; amongst the former, the ministries of Foreign Affairs, Finance, Interior, War, Navy, Industry, Justice, Education, Railways and Communications; and amongst the latter, the machinery of the provincial administrations, comprising in each province so many district magistracies under a provincial government.¹

The Chinese have a national genius for make-belief and the drawing up of regulations, plans and programmes; and some of this elaborate façade of government may have remained in the realm of the imagination of its architects. But the surprising fact stands out that the Nationalists did make this strange, and, to the Chinese, alien, structure of committee government work tolerably well, or at least vastly better than any other republican government in China had ever worked before. The cynic may suggest that the Kuomintang has long since shot its bolt, that as long as it remained an extremist revolutionary faction, it was carried on to victory by its own momentum, but that, when it had lost its revolutionary ardour and become sober and respectable, nothing was left

¹ The *hsien* or district, is the unit of local government, the former circuits, prefectures and sub-prefectures (*Tao*, *Fu*, and *Chou*) having been abolished under the Republic.

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beyond a clique of individuals using the Kuomintang façade to keep themselves in place and power. In any case, judging only by results, the severest critic of China's National Government must admit that their accomplishments in political and economic reconstruction have been quite remarkable.

The Chinese Communists, allies and instruments of Soviet Russia, have played no inconsiderable part in the internal history of post-war China, a part out of all proportion to the weight and importance of Communism in China's body politic. For the Chinese as a race are individualists and hard-headed materialists, with an agricultural society founded on village, clan and family; and lack in their national character that strain of emotion and imagination which breeds religious or Communistic fervour. Left to themselves the Chinese are likely to prove as infertile a field for Communistic propaganda as for the teachings of the missionaries. But circumstances alter cases; and particular sets of circumstances have in fact driven a number of Chinese into the Communistic fold: amongst the intellectuals the complex of inferiority arising from the Unequal Treaties and the aggression of the foreign Powers; and, in the Chinese underworld, the hardships of misgovernment and the bitterness of economic stress.

The Chinese Communist Party was founded by intellectuals and students who visited Russia at the time of the anti-Japanese disturbances in the year or two immediately following the war. Little was heard of the party until in 1923 Sun Yat-sen and the Kuomintang accepted the Russians as allies and admitted the Chinese Communists into the nationalist fold. Thereafter, until the split in 1927, the Communists, representing the left wing of the Kuomintang, were the driving force of the nationalist revolution, directing its energies into anti-foreign, anti-imperialist and anti-Christian channels. The Nationalist Government which established itself at Hankow in the early days of 1927 was as much a product of the Communist Party as of the Kuomintang; and the slogans, posters, speechmaking, and the rest of the technique of the

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anti-north and anti-foreign movement in the Yangtze Valley in 1927, were generally modelled on the teachings and example of the Russian Bolsheviks. Foreign Communists from India, France, Britain and the United States, as well as from the U.S.S.R., flocked to Hankow in 1927, expecting to see world-shaking developments and the rise of a great Chinese Communistic State.

But the Communists had miscalculated the Chinese and their character. The Russians had made the pace too hot or otherwise overplayed their hand. The reaction to the Right came violently in the summer of 1927, when the majority of the Kuomintang, following the lead of Chiang Kai-shek, turned against the Russians and the Communists. The foreign Bolsheviks were hunted from the country, while the Chinese Communists withdrew to the mountainous interior of Kiangsi province, where for more than six years they resisted all the attempts made by Chiang Kai-shek and the Nanking Government at their extermination.

The nucleus of the red armies which for years defied the Nanking Government in the forested hinterland of Kiangsi province consisted of the troops of three Kuomintang generals who revolted against Chiang Kai-shek at the time of the split between Kuomintang and C.C.P. in the summer of 1927. For the next ten years these men remained the leaders of the military struggle of the Communists against the Nanking Government. Meanwhile Chiang Kai-shek launched campaign after campaign against the 'Red Bandits' of Kiangsi. Nanch'ang, the provincial capital, became the most important military centre of Nationalist China. Roads were built and cordons of blockhouses constructed; and the best of Chiang Kai-shek's new German-trained armies were flung into the fray. But the spark of the inspired revolution still glowed in the dishevelled armies of the Communists, who, making the most of the difficult country of hills and forests which they occupied, proved more than a match for the commanders of the Nanking Government. Far from being exterminated, the red armies grew in numbers and in enterprise, equipping themselves with arms and

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ammunition captured from their enemies, and recruiting their strength from the forces of other leaders in arms against the Kuomintang, from brigands and peasantry rendered homeless by the disorders of the times, and from deserters from the armies of the Government. Attracted by this vigorous military resistance, students and intellectuals interested in Communism drifted to Kiangsi, where a Soviet administration was established in the inaccessible interior. Little was known in China or the outside world about what was really going on in Chinese Soviet-ruled territory. Crudely produced coins, currency notes or postage stamps, bearing the Communist device, made occasional appearances along the coast, rousing speculation and interest on the subject of the Chinese Soviets; or a foreign missionary would be kidnapped and return with nightmare tales of bandit cruelties and Communist idealisms. The area ruled by the Kiangsi Soviets was anything but static, the red groups and military detachments splitting up and coalescing like quicksilver in a plate, raiding the border districts of adjoining provinces, advancing in one direction and retreating in another, but always eluding their pursuers until the moment came to stand successfully at bay. For years the Kiangsi Communists represented the major problem, political and military, facing the Nanking Government in the internal affairs of China.

But at length, in 1934, the continued pressure of the Nanking armies began to produce results. Many districts were reoccupied by the forces of the Government, and finally the red leaders decided on a wholesale evacuation of their strongholds in Kiangsi. There followed the epic march of the red armies round the hinterland of western China. From Kiangsi they broke westwards into Hunan, traversed Kweichow and raided through Yunnan, turned north-west across the bleak and empty borderland between Szechuan and Tibet, emerged in Kansu, and, turning east again, came finally to rest in northern Shensi, a wild and semi-desert area which had for many years been one of the most bandit-infested regions in the whole of China.

The long march of the Communists round the backblocks

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of western China resembled the migration of a tribe rather than the progress of an army and should by all the standards of modern military science have been a stark impossibility. But in China medieval standards still prevail and Chinese history in times of banditry, rebellion and revolt can furnish many parallels. The horde passes like a plague of locusts over the face of China; supplies and transport are nearly everywhere obtainable from the unfortunate inhabitants; and, owing to the lack of cohesion in the structure of civil and military government, the authorities in each province are concerned rather in shepherding the invaders through their jurisdictions than in compassing their military overthrow.

The new base of the Communists in northern Shensi was well chosen from their point of view. It was strategically well situated *vis-à-vis* the northern Chinese provinces, it allowed of communication by the Mongolian route with Russia, and it was beyond the periphery of the Central China provinces under the National Government's direct control. The task of dislodging the red armies from Kiangsi had proved difficult enough: that of ejecting them from their new stronghold in the wilds of northern Shensi was likely to be much more formidable. The Communists, carrying with them their machinery of government, established a Soviet administration in the area under their control. A new red China came into existence and seemed likely to endure.

During 1936 and 1937, while the conflict with Japan was becoming increasingly acute, the Chinese Communists placed more and more in the forefront of their programme resistance to the last against the aggression of the Japanese. Five years before, at the time of the Shanghai hostilities in 1932, the Communists had offered their services to the National Government in the fight against Japan. But at that time Chiang Kai-shek still hoped to avoid the catastrophe of war against Japan and to bring his red enemies to heel by force of arms. The Communists renewed their offer in 1936 and 1937, clamouring for war and denouncing Chiang Kai-shek

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and his Government for their failure to resist the growing aggression of Japan. Meanwhile, stationed in southern Shensi with the task of keeping the reds in check were the troops of Chang Hsueh-liang, son of Chang Tso-lin, the former warlord of Manchuria. These troops, still known as *Tung-pei Chün* (North-Eastern Army), had been expelled from Manchuria by the Japanese and humiliated in the eyes of all Chinese by their poor showing in the campaigns of 1931 and 1932. Homeless and full of grievances, they professed to be burning with anxiety to get back into the fray. A common cause, hatred of Japan, drew *Tung-pei Chün* and Communists together. Instead of fighting one another there were secret understandings. Chang Hsueh-liang joined in the clamour for warlike resistance to Japan. There followed the episode of the kidnapping of Chiang Kai-shek at Sianfu, which led to the reconciliation of the Nanking Government with the Communists on the basis of a common front against Japan. Whether *post* or *propter hoc*, the conflict with Japan became exacerbated, bursting in the summer of 1937 into the flames of open war; since when the red armies of the Communists have been fighting on the flank of the Japanese invasion as auxiliaries to the armed forces of the Nanking Government.

That is the story, in the briefest outline, of the National Government, the Communists and the Kuomintang. The Chinese Communists represent the most controversial of all the issues, the great interrogation mark, in the affairs of China. They are the strongest and most militant of any of the Communistic groups outside the borders of the Soviet Union. Yet there will be many who will argue that, left to themselves, there is little hope, or danger, that the Chinese people will ever found a Communistic State. Opinions, Chinese and foreign, about the real nature of the red armies and the Chinese Soviets vary violently with the viewpoint of the commentator, from those who paint a highly coloured picture of the red leaders maintaining a Chinese Communist Elysium in the face of overwhelming odds, to those who represent the red armies as bands of brigands masquerading

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under the Soviet device. The truth may well lie somewhere between the two extremes: that a nucleus of sincere and able Chinese intellectuals have kept the red flag of Chinese Communism flying in the mountainous recesses of the remote interior, attracting to their cause dispossessed peasantry and men of that submerged stratum of Chinese society from which soldiers and brigands have from time immemorial emerged, as well as not a few disgruntled commanders and politicians of the Kuomintang, who were unwilling to accept the leadership of Chiang Kai-shek.

The writer has never met a genuine Chinese Communist and is therefore to be ranked with the majority less qualified to express a definite opinion. But experience of the Chinese and their reactions and their character leads to the conclusion that they are fundamentally a static people. They may garb themselves in foreign clothes, take first-class degrees at universities in Europe or America, become generals, diplomats or politicians, industrialists or Communists; but they remain at heart Chinese and retain their Chinese philosophy of life. If Communism ever comes to be established as a system of government in China it will be in form so moulded to the Chinese character as to leave little of the original intact.

For the orthodox plans and theories of the Communists sound a note of unreality in China. The class struggle, and its object, a classless society where all shall be on a footing of equality; the abolition of private property; the eight-hour day and equality of wage for all; control of industry and government by proletariat—these and the rest of the slogans of the Communists seem altogether inappropriate to the Chinese character. China is an agricultural country; and agrarian reforms, the dispossession of the landlords and the redistribution of the land, necessarily play a large part in the domestic programme of the Communists. It is true that in certain provinces and areas the landlord system has grown into abuse, with a class of educated 'gentry' living on the labours of the peasantry, so that offers of land to the landless Chinese peasant must be a potent inducement to

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become a Communist. But the majority of China's millions spend their days toiling on their own land to get enough to eat. For there are too many Chinese and insufficient land to distribute. When the redistribution of the land has been accomplished, China's fundamental malady will still remain—over-population and the constant pressure of the surplus people on the means of subsistence available for their support. Communism may appeal as making a reality of revolution and as something new in a land where misgovernment is becoming chronic. But Communistic teachings contain no panacea that will cure the economic ills of China or change the character of the Chinese race.

Yet Communism seems to have taken root in China. That it owed its inspiration to the teachings of the Russians is a commonplace; and until 1927 the Chinese Communists continued to be guided and supported by the Russian revolutionary experts and advisers. But for the next ten years the movement developed on its own account. For the turn of events in China in 1927 synchronized with a change in the politics of Russia; when the Bolshevik leaders dropped for the time their efforts at promoting world revolution and class war in other countries and turned their attention to the national defence and internal reconstruction of the Russian Soviet Republic. Yet, in spite of the withdrawal of active Soviet assistance, the Chinese Communist Party after 1927 did not collapse but became on the contrary more militant and formidable than it had ever been before.

There is no doubt that Chinese Communism has a particular appeal to the educated youth of China. This was the case in the turmoil of 1925 and 1927 and was still the case in the stormy times of 1937 and 1938. But this appeal has less to do with the doctrines of Lenin and Marx than with the struggle to liberate China from the servitudes of foreign domination. From the outset 'anti-imperialism' and the abolition of all foreign treaty rights and privileges were placed in the forefront of the programme of the Chinese Communists. Ten years later the early anti-foreign slogans were replaced by the call to national resistance against the

Chinese Government, Communists and the Kuomintang

aggression of Japan. In the eyes of Young China the Kuomintang Government had betrayed the revolution and retreated before the consummation of its aims. It was, and is, as revolutionary nationalism undiluted that Chinese Communism makes its appeal to the educated youth of China. Remove the nationalist grievances—the Unequal Treaties and the aggression of the Japanese—and the hammer and sickle lose for the Chinese much of their significance.

CHAPTER FIFTEEN

FRONTIERS AND DEPENDENCIES

The Chinese Empire, as handed over by its Manchu rulers to the new Republic, sprawled over more than half the map of Asia, comprising the Eighteen Provinces of China Proper, with a ring of vast dependencies: Manchuria, Mongolia, Tibet and Chinese Turkistan, whose empty deserts and impenetrable mountain barriers served to protect China from contact with the western world. In earlier times, in the heyday of the Manchu Dynasty, the Peking Court could claim as tributaries regions even more remote: Korea, Siam, Annam and Tongking, Upper Burma, Nepal and Hunza, and other statelets on the Empire's farthestmost periphery; regions for the most part inhabited by slit-eyed peoples of Far Eastern stock,¹ who, though without linguistic affiliations with the Chinese race, were proud to borrow China's architecture, manners, food and culture, and looked upon Peking as the greatest and most central city of the world.

The lopping-off process started with those remoter regions over which Chinese suzerainty was but a shadowy sentiment. The French created a new Far Eastern Empire out of Annam and Tongking; the British countered by occupying Upper Burma. Siam, benefiting from the rivalry between the French and British Governments, became an independent State wedged in between French Indo-China and a united Burma under British rule. Nepal, though it had long passed under the protection of the Indian Government, sent its last tribute mission to Peking as late as 1911. The Mir of Hunza, the tiny statelet on India's north-west frontier

¹ But not the men of Hunza, who are of Aryan descent.

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and astride the road to Turkistan, sent, up to recent years, annual tribute presents to Kashgar. The Chinese officials received these tributary missions very much *de haut en bas*; emphasizing in every way they could the status of feudatory and overlord; but at the same time making it worth the tribute-bearer's while to come by affording him profitable facilities for the transport of his merchandise and returning presents of greater value than the tribute sent.

The rule of China's Manchu conquerors was the cement which held the crumbling Chinese Empire still together. As the cement decayed, the Empire fell in bits. The revolution and the abdication of the Manchu Dynasty in 1912 precipitated disintegration and collapse. Tibet and Mongolia fell almost immediately asunder, the former into British, and the latter into Russian arms; Manchuria, after a period of long and painful conflict, passed twenty years later under Japanese control; leaving of the great dependencies only Chinese Turkistan still under some sort of Chinese territorial authority.

The rape of Manchuria has already been discussed. The circumstances in which Mongolia and Tibet drifted apart from China were entirely different.

Mongolia is a huge expanse of rolling prairie lands between China and Siberia, intersected by that waste of sand and gravel which stretches diagonally across the continent of Asia and is labelled on our maps the Gobi Desert. Roughly speaking, the grasslands northward of the desert, extending to the borders of Siberia, belong to Outer Mongolia, the country of the Khalkha Mongols, who are the backbone of the Mongol race. South of the desert, stretching along the Chinese border, lies Inner Mongolia, home of the Inner Mongol tribes. There are also Eastern Mongols living on the grasslands of Jehol province and Manchuria; and Western Mongols, of the Torgut stock, in Chinese Turkistan and in the country of Alashan and Etsin Gol along the Kansu border. Yet other Mongol tribes occupy pastures in the Kokonor and Tsaidam regions marching with those of the nomads of Tibet.

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And there are Buriat Mongols in Siberia and remnants of the Torgut horde in European Russia.¹ The descendants of the great Mongol race, which once overran and conquered half the world, are thus nowadays divided into far-flung groups, living without national cohesion under the protection of Russia, China and Japan. Only the Khalkha Mongols of Outer (that is North) Mongolia can claim to represent a Mongol nation and enjoy a measure of national cohesion and opportunities for national development.

The Manchus for purposes of administration divided Mongolia into Inner and Outer, in Chinese *Nei and Wai*. Inner Mongolia, marching with northern China, was always under closer Chinese Government control, and under the Republic was carved into the three Chinese provinces of Chahar, Suiyuan and Ningsia. The Chinese Government after the revolution at first planned to impose on the Inner Mongols the standard administration of the Chinese provinces; but later, as the dangers of Japanese penetration grew apparent, sought to woo them with offers of autonomy. The Japanese on their side, working from Manchuria, sought to spread their influence amongst the Inner Mongols, who, since the war of 1937, have now passed under Japanese control.

In the nineteenth century the Outer Mongols lived, like the other Mongol tribes, under the rule of their hereditary princes and the suzerainty of the Manchu Emperor, whose might and majesty were represented, as in Tibet, by Manchu residents, the *Ambans*, stationed at Urga, Kobdo and Uliasutai. But, as the Manchu Empire fell into decay, the Government of Tsarist Russia, pressing hard on China's northern frontiers, drew the Outer Mongols more and more under their wing. The ground had thus already been prepared, when, in 1912, the Chinese Republic having been proclaimed, the Khalkha Mongols seized the opportunity to break away, declaring that they owed allegiance to the

¹ The story of the Torgut Mongols, whose migration from Russia back to Chinese Turkistan was the subject of De Quincey's famous essay, is told in the author's *Journey to Turkistan*.

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Manchu Emperor but none to the newly born Republic. The Russians, taking advantage of the situation, were able to negotiate with Urga and Peking tripartite settlements under which Outer Mongolia became an autonomous State under Chinese suzerainty but Russian influence; arrangements which were but a camouflage for the establishment of a Russian protectorate over North Mongolia.

The Chinese Republic has not made a success of its dealing with the Mongols and Tibetans, who were bound to the Manchu Dynasty by links of tradition, sentiment and faith. The early Manchu Emperors were wise enough to propitiate the Lama Church; the Mongol chiefs and princes and Tibetan dignitaries were proud of the official rank and titles bestowed upon them by the Peking Court; and there was little interference by the Chinese residents in the internal affairs of Mongolia and Tibet, which were administered as self-governing dominions under the benevolent protection of the Chinese State.

But these smooth relations between China and her great dependencies had already been impaired before, in 1912, the revolution put an end to Manchu rule. The Chinese Government, alarmed at what they regarded as the encroaching tendencies of Russia and Great Britain, attempted in the years before the revolution to consolidate their hold on both Mongolia and Tibet, seeking to curtail the self-governing prerogatives of the Mongolian princes and the lamas of Tibet. The Mongols and Tibetans were thus already half estranged before the birth of the Republic and the advent of new and revolutionary policies in China strained to the breaking point their traditional connexion with the Peking Government.

The Government of the new Chinese Republic, obsessed by the fear, inherited from their predecessors, that Tibet and Mongolia were slipping from their grasp, continued the ill-judged policy of working to bring the dependencies under more direct control, thus precipitating the very danger which they were seeking to avert. The influx of Chinese colonists breaking up for agriculture the pastures of the Inner Mongols,

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and in Outer Mongolia the financial and economic domination of the Chinese business houses, increased the hostility of the Mongols towards their former Chinese overlords. Outer Mongolia and Tibet shook themselves free from China; turning to Russia and the Indian Government respectively for assistance and support.

But in 1918, after the Bolshevik revolution, the Russian position in Mongolia collapsed. In 1919 the Peking Government, at that time under Japanese military influences, sent an expeditionary force to Urga and reoccupied with Chinese troops the principal centres of Mongolia. But the Chinese effort was short-lived. In 1920 an influx from Siberia of Russian Whites, pursued by bands of avenging Reds, threw all Mongolia into a state of turmoil. The Chinese troops, attacked by the White Russian marauders and their Mongol supporters, were cut to pieces or fled in disorder across the desert back to China. The Whites were in turn ejected by the Bolsheviks, who were by then masters of Siberia. The future of Outer Mongolia was again cast into the melting-pot. The year or two of Chinese military rule had more than ever alienated Mongol sympathies from China; the Mongols turned naturally for assistance to the Bolsheviks, who had appeared as liberators on the scene; the *Bogdo Hutuktu* of Urga, Pope ruler of the Mongols, ranking in the lama hierarchy with the Dalai and Panshen Lamas of Tibet, died in 1924; and Outer Mongolia was converted into a Soviet Republic and became again a protectorate of Russia.

From the point of view of China the last state of Mongolia was worse, far worse, than the first. The new régime set about eliminating all Chinese trading and official influences, and the frontiers with Inner Mongolia and Manchuria were strictly closed. For some years now all Chinese have been rigidly excluded, the stream of Chinese trade has been reduced to a trickle, and not a vestige of Chinese influence survives. Yet the U.S.S.R. have formally recognized, for diplomatic purposes, China's suzerainty over Mongolia. The Soviet authorities, like their Tsarist predecessors, succeed somehow

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or other in squaring this diplomatic circle and in explaining, at least to their satisfaction, the apparent contradiction of an autonomous Mongolia under Chinese suzerainty and the guidance and protection of the Soviet.

Little is known in England or America about conditions in the new Mongolia or about the real feelings of the Outer Mongols towards the astonishing change that has come over their form of government. For the People's Republic of Mongolia guards its secrets well. No one, unless he be a Mongol or a Soviet citizen, or perhaps a Soviet sympathizer with adequate credentials, is allowed to enter this forbidden land. Whatever the true circumstances may be, the fact remains that the metamorphosis of Outer Mongolia from a state of medieval feudalism into a Soviet Republic is one of the most astonishing developments that has ever taken place in Asia. Until they were caught up in the Russian revolutionary maelstrom, the Mongols were, like the Tibetans, priest-ridden devotees of Tibetan Buddhism, living in their leagues and tribes and banners under the patriarchal rule of hereditary chiefs and princes. It would be difficult to imagine a field more unpromising for Communistic propaganda. Yet in a few short years the power of the lamas and princes has been broken; and the new Mongolia, educated in the ideologies of Marx and Moscow, worships at the shrines of Lenin and the Comintern.

But beyond an arbitrary boundary across the deserts and prairies of Mongolia live other Mongols, within the borders of Japanese-protected Manchukuo, who are being educated in exactly opposite ideologies, those of the ancient faiths and traditions of Asiatic Empire, as interpreted by the modern pundits of Japan. Their ruler is again a Manchu Emperor and they are encouraged to look forward to the creation of a greater Mongol-Manchu State, under the protection of Imperial Japan.

Thus are the Mongols, once the rulers of all Asia, become the pawns of international rivalries in the struggle between Russia, China and Japan. Manchuria has passed under Japanese dominion. Outer Mongolia has been absorbed

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by Russia. And now the Japanese have penetrated the country of the Inner Mongols, driving a wedge between China and the Russian Soviet. Russia in turn has consolidated her position in Zungaria and Chinese Turkistan to build up a defensive flank against the Japanese advance. The struggle for the hegemony of eastern Asia carries on; the Mongols, divided and no longer masters of their fate, have to assume, whether voluntarily or because they cannot help themselves, the political colourings of those who dominate their tribal pasture lands. China, with admittedly the weakest hand, has played her cards badly, and has alienated Mongol sympathies; whether Japan or Russia will be more successful, time alone will show.

The Mongols and Tibetans are ethnographically and linguistically of unconnected stock. Yet the two races have close affiliations in their mode of life. Excepting that the Tibetan takes easily to agriculture, of which the true Mongol is entirely ignorant, both live the same hard nomad life on the Asiatic uplands and thrive on the same grim diet of brick tea, roast barley flour, and meat. Above all the two races have in the past been united by the bond of one religion, the Tibetanized Buddhism of the Lama Church. The deserts and prairies of High Asia from India to Siberia are dotted with monasteries which stand as monuments to the lama power, each one presided over by a Mongol or Tibetan 'Living Buddha', reincarnation of a Buddhist saint. The same red-gowned, shaven-headed monks in tone the same services throughout Mongolia and Tibet. The three great pontiffs of the Lama Church were, until recently, the Dalai and Panshen Lamas of Tibet and the *Bogdo Hutuktu* ('Holy Reincarnation') of Mongolia.¹ Urga and Lhasa were in constant intercourse, with pilgrims and traders and ecclesiastical officials coming and going by the long camel trail across the Gobi Desert, western Kansu and the Kokonor. Traveling east and west over the deserts and prairies of Mongolia one will meet sooner or later a cross-trail leading north and

¹ All three are now deceased.

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south—one of the many unknown tracks connecting Lhasa with distant Mongol centres in the North.

There has also been a marked resemblance in the political history *vis-à-vis* China of Mongolia and Tibet, against a background in the one case of the Russian and in the other of the British Government. For if the record of the Russians, Tsarists and Bolsheviks in the matter of Mongolia calls for a deal of explanation and apology, the Tibetan question has similarly in the past been the Achilles heel of British policy in China. Whenever the Chinese or their journalistic allies from America think they have occasion to attack 'British Imperialism' in Eastern Asia, they are sure to put in the forefront of the picture lurid and exaggerated references to British intrigues in Tibet. Yet the story of Britain's dealings with Tibet is in its details relatively innocent; and it is only the general impression created by the circumstances of the case which has in the past provoked Chinese suspicion and hostility.

The region of High Asia inhabited by peoples of Tibetan race (and often labelled in its entirety *Tibet* on European maps) has for centuries been divided politically into three areas: in the south-west, Lhasa-ruled Tibet, the Dalai Lama's realm; in the east, the native states of Kam, ruled by Tibetan kings and chiefs under the supervision of the near-by Chinese territorial authorities; and, in the north-east, the Kokonor, the territory of the 'Blue Lake', which the Chinese call *Ch'ing Hai*, the 'Azure Sea', where the Mongol and Tibetan tribes live under the loose control of the Chinese authorities of western Kansu. Like the Mongols, the Tibetans of all parts acknowledged the Dalai Lama as their spiritual head and the Manchu Emperor as their overlord. In recent years the native states of Kam have been converted into a Chinese frontier territory, called Hsikang, lying between Szechuan and Lhasa-ruled Tibet. But more than half of Hsikang exists, like many other Chinese institutions, only on paper, being in the occupation of the Lhasa Government.

China's suzerainty over Tibet dates from the early days of Manchu rule. At the beginning of the eighteenth century

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Tibet was invaded by a horde of Mongols from Zungaria; and the Manchu Emperor dispatched an army which occupied Lhasa and expelled the Mongols. The boundary between Chinese and Lhasa-ruled Tibet, marked by a stone on the frontier mountain near Batang, was laid down by the Manchus at this time; the lands to the west being handed over to the Dalai Lama's rule. Three generations later, in the closing years of the eighteenth century, the Nepalese invaded Tibet, and again the Manchu Emperor, on this occasion the great Ch'ien Lung, sent into Tibet a Chinese-Manchu army which expelled the Nepalese. Thereafter Tibet settled down under the priest-rule of the Dalai Lama and the monasteries, while a Manchu resident, the Lhasa *Amban*, represented in the capital the suzerain authority of China.

The Tibetan question¹ as between China and Great Britain, started with the Convention of 1890, which defined the boundary between Sikkim and Tibet and contained a reciprocal engagement on the part of the Chinese and British Governments to respect the frontier and prevent aggression from their respective sides. During the years that followed the Tibetans disregarded these arrangements made over their heads by the Chinese and British Governments, raiding across the frontier and rejecting all attempts by the authorities in India to establish friendly intercourse; while representations at Peking showed merely that the Chinese Government were unable or unwilling to make the Tibetan authorities behave themselves. The Government of India found themselves walking in a circle, unable to enter into relations with the Lhasa Government and equally unable to obtain redress by representations to its Suzerain. It was decided, in the interests of frontier peace and policies, to prise open the Tibetan oyster, if necessary by force. The result was the expedition to Lhasa and the conclusion of the 1904 Convention, under which the Lhasa Government agreed to recognize the Sikkim frontier and to open trade relations between India and Tibet. Two years later, by an agreement concluded

¹ The detailed story of the Tibetan question is contained in the author's *Travels in Eastern Tibet*, Cambridge University Press, 1922.

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in Peking, Britain and China confirmed the Lhasa treaty, while Britain undertook not to annex Tibetan territory nor to interfere in the internal administration of Tibet.

In making these arrangements the British Government had no aggressive or ulterior political designs. Their gaze was fixed, not so much on China or Tibet, as on the shadow of the Russian Bear beyond. Those were the days of acute Anglo-Russian rivalry in Asia; and it was not long since the break-up of China had seemed to be a possibility to be taken into practical account. As well as seeking to establish friendly relations with the Tibetan Government, British policy sought to prevent at all costs the growth of Russian influence at Lhasa. The Russians, with their hands full or over-full in other parts of Central Asia, dropped their attempts at the political penetration of Tibet. Under the Anglo-Russian agreement concluded in 1907 each of the two contracting parties undertook to keep their hands off Tibet and to refrain from interference in its affairs and government.

The object of British policy was to secure the territorial and administrative integrity of Tibet as a buffer region between India and the Russian Empire. But it was overlooked that China had by these agreements obtained a free hand in re-establishing her influence and consolidating her position in Tibet without the possibility of interference from either of the only two foreign nations which could conceivably have intervened. Moreover, the Chinese Government during the decade before the abdication of the Manchu Dynasty were obsessed with fears of foreign aggression on the frontiers of the Chinese Empire; and, not unnaturally in view of what had happened in the years since 1896, viewed with intense suspicion the activities of foreign Governments in China's borderlands. The result in Tibet was a period of Chinese pressure and advance, which began soon after the British mission had withdrawn from Lhasa and ended six years later when the Chinese revolution caused the collapse of China's position in Tibet. The Chinese Government set deliberately to work to bring the East Tibetan borderlands under direct Chinese administrative rule, to re-establish

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their influence in Lhasa, to insinuate Chinese authority between the Indian and Tibetan Governments, and to annul the advantages of direct intercourse with the Tibetan Government secured to Britain by the Convention of 1904. A Chinese general named Chao Erh-feng, with all the attributes of the empire-builders of the heyday of the Manchu Dynasty, disciplined the States and tribes of East Tibet, laid down a new Chinese-Tibetan frontier within a few days' march of Lhasa, and finally in 1910 occupied Lhasa with a Chinese expeditionary force and overthrew the autonomous Tibetan Government. The Dalai Lama, who had fled north to China and Mongolia when the British troops marched into Lhasa six years earlier, effected his escape to India a few hours ahead of the pursuing Chinese troops.

For a year or two the Chinese position in Tibet was re-established; but only to collapse when, in 1912, the revolution in China resulted in the abdication of the Manchu Dynasty. The tribes and native States of Kam,¹ which had been brought under a Chinese administration, broke out in rebellion against their Chinese overlords, the Chinese troops in Lhasa mutinied and were evacuated via India, the Chinese administration disappeared, the Dalai Lama returned from India to resume his position at the head of the Tibetan Government, and Tibet became again an autonomous or independent State. Since then no vestige of Chinese authority has survived or reappeared in Lhasa-ruled Tibet.

China had lost Tibet and the Chinese blamed, and still blame, the British Government. For to the authorities in India the collapse of Chinese rule at Lhasa proved the solution of many difficulties; and relations, commercial and official, with the Lhasa Government have ever since been satisfactory. But in reality the Chinese should principally blame themselves for the loss of their traditional position in Tibet. The early Manchu Emperors treated the dignitaries and lamas of Tibet with respectful patronage; and the Tibetans looked in turn to Peking as the fountain of benevolent prerogative.

¹ *Kam* is the Tibetan name for Eastern Tibet, now partly under Chinese and partly under Tibetan rule.

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It was only when the Chinese Government thought that Tibet was slipping from their grasp that they abandoned the Manchu policy of leaving well alone and sought to bring the priest-rulers of Tibet under more direct Chinese authority. The methods of the Republican officials and their soldiery were even worse. The Tibetans, alienated from their former Chinese overlords, turned to the authorities in India for friendship, assistance and support.

After the revolution, when the new Republican régime had settled down, the Chinese authorities of Szechuan Province sought to recover those districts in Eastern Tibet which had been brought, before the revolution, under Chinese rule. For months and years desultory fighting between Chinese and Tibetans ebbed and flowed across the wild, mountain borderlands of Szechuan and Tibet. In 1913, at British instigation, a tripartite conference of British, Chinese and Tibetan representatives was convened in India with the object of seeking a solution of the problem of the status of Tibet. The Tibetans placing their case in the hands of the British representative, demanded the recognition of Tibet as an independent State, with boundaries embracing all those regions of High Asia inhabited by people of Tibetan race. The Chinese claimed the restoration of their position in Tibet before the revolution. The British Government aimed at perpetuating the political sterilization of Tibet, by excluding all external influences including British and Chinese.

The British negotiators, showing a certain lack of originality in their proposals, sought a settlement along the lines of Russia's dealings with Mongolia and proposed that Tibet should be divided into two areas, Outer and Inner; Outer Tibet, under the Lhasa Government, to enjoy autonomy under Chinese suzerainty; while Inner Tibet was to be placed under a measure of effective Chinese rule; in the former the Chinese Government, and in the latter the Dalai Lama, were to enjoy the shadow without the substance of suzerain authority. A Chinese *Amban* was to return to Lhasa, but with military forces carefully defined; and Britain and China

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were both to undertake to abstain from all interference in the internal administration of Tibet.

These proposals, which in the light of subsequent events were shown to have been not unfavourable to China, nearly went through, but were finally wrecked on the question of the boundary between Chinese and Lhasa-ruled Tibet. An agreement was actually initialled, but the Chinese Government refused to sign; and the negotiations have never been resumed because the Chinese later on came to regard as derogatory to their sovereign position in Tibet any negotiations on the subject with a foreign Government.

Twenty-five years have passed since the abortive Simla Conference, leaving the position substantially unchanged. The Lhasa Government, representing the dominion of the great monasteries and the Lama Church, still rule over autonomous Tibet; their eastern boundary remaining undefined and swinging to east or west as the result of intermittent frontier wars. Lhasa-ruled Tibet, though nominally a part of China, has no official connection with its suzerain. Intercourse of a kind subsists, for the Tibetans must have their coarse brick tea, which comes from Szechuan. Apart from frontier skirmishing, no real hostility exists on either side. To the Tibetans the bonds of tradition, sentiment and faith, which bound them formerly to the China of the Manchu Emperors, have never been completely severed; only the new manners, doctrines and ideas of modern China seem to them strange and incomprehensible. The Chinese, on their side, if they think about Tibet at all, adopt the attitude that the Tibetans are as errant children meriting chastisement and correction which their masters are not for the moment in a position to inflict, and that the Dalai Lama and his ministers have been but temporarily estranged through misunderstandings due to the intrigue of a foreign Power.

Meanwhile Tibet under British, like Mongolia under Russian, influence remains a land closed to the outside world. The only approach to Urga is through the Russian Government and to Lhasa through the Government of India. No doubt the motives of both Governments in thus encouraging

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the seclusion of Mongolia and Tibet are much the same—to keep at arm's length undesirable foreign influences; only the nature of the influences to be so excluded differs in each case. But at this point there is an end to the resemblance between Russia in Mongolia and Britain in Tibet. For while the Government of India confine their activities to maintaining, from across the Indian frontier, friendly relations with the Lhasa Government and abstain from all interference in the affairs and administration of Tibet, the Russians are established in Mongolia and pervade with their authority all the branches of the Urga Government. Except for the agencies established at the 'trade marts' under treaties to which China is a party, there are no British troops or civil or military officials in Tibet. The charge of India's relations with the Lhasa Government is in the hands of the Resident in Sikkim, who pays only intermittent visits to the Tibetan capital.

The Government of India do not want to turn Tibet into a British protectorate. Had they wished, they could have done so long ago. Their policy towards Tibet is defensive, negative and uninspired by any motives of imperial aggrandizement; aiming to preserve a peaceful and secluded buffer State round India's north-east frontier; and accordingly encouraging its lama rulers to shut their country off from foreign intercourse. But it would be rash in all the circumstances to assume that this policy is not the wisest one for all concerned.

Two of the leading figures of Tibet have passed away during the last few years. The thirteenth Dalai Lama died in December of 1933. His career had been chequered and eventful; including years of exile, first in China and Mongolia, where he sought refuge when the British mission entered Lhasa, and then in India, where he found asylum during the Chinese occupation of his capital. Thereafter for more than twenty years he ruled as undisputed master of autonomous Tibet; preserving internal peace and order and maintaining close and intimate relations with the Indian Government.

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As Pontiff of the Lama Church his influence extended far beyond the confines of the land he ruled. His successor, the Tibetan infant destined to be the next reincarnated Dalai Lama, was still a year ago in course of being sought for by the established processes of sorcery and divination.

The Panshen, or Tashi, Lama, Pope of the Shigatze monastery to the west of Lhasa, was second only to the Dalai Lama in the hierarchy of the Lama Church. A dispute about territories and taxes arose between the Dalai and the Panshen Lamas and in 1924 the latter withdrew, temporarily it was understood, to China. It proved more difficult than had been expected to adjust his differences with the Lhasa Government, and for the next twelve years the Panshen Lama wandered forlornly in Mongolia, China and Manchuria. But his religious influence was unimpaired and he enjoyed immense prestige amongst the Mongols and other Asiatic peoples following the doctrines of the Lama Church. Wherever he might go, crowds of devoted worshippers attended him, guarded his person and contributed to his support. The Chinese Government, for reasons of sentiment and policy, also treated him with due respect and ceremony, providing special trains for him to travel in and palaces and temples for his lodging. During his long stay in China the picturesque figure of the Panshen Lama came to be known to many foreigners, who could not fail to be impressed by a personality which seemed to radiate affection and benevolence. For years the Panshen Lama was constantly on the point of leaving for Tibet, but his departure was time after time put off on account of some hitch in the negotiations with the Lhasa Government; until finally he died an exile at Jyekundo in the Kokonor, while last arrangements were in preparation for his long-deferred return.

Chinese Turkistan, or Sinkiang (the 'New Dominion') as it is known to the Chinese, is the dead heart of Asia, rainless land of mountain, desert and oasis, where the rivers flow into salt lakes and desert sands and fail to reach the sea. The population is mostly Moslem, of Eastern Turkish stock,

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with a sprinkling of Torgut Mongols in the north. Chinese rule, which has ebbed and flowed through Central Asia since the dawn of history, still, strange to say, persists. But Sinkiang, separated from China by vast stretches of the Gobi Desert, is more than half surrounded by Russian Central Asia, Siberia and Sovietized Mongolia; and is dominated economically by the adjoining territories of Asiatic Russia. As a result of its geographical position, and the disorders which have afflicted China since the revolution, Sinkiang has inevitably fallen under Russian influence. Chinese rule, never much more than a veneer, and resting on the diplomatic and administrative talents of the Chinese representatives, rather than on the strength of Chinese military garrisons, has in the past frequently been shaken by rebellions of the Moslem population; and was recently, after the last rebellion, re-established with the assistance of the Soviet. The local Chinese Government, seated in Urumchi, the provincial capital, take accordingly their orders as much from Moscow as from the Chinese Central Government. Only the Chinese connection, attenuated though it is, still prevents Sinkiang becoming, like Outer Mongolia, a Soviet Republic under Russian rule.¹

Apart from Soviet Russia, Britain is the only other foreign Power having any immediate interest in Chinese Turkistan; which, on its southern boundary, marches with India and Tibet. The Government of India are interested as neighbours in the fate of Sinkiang and are also concerned with the protection of the Indian residents, traders and money-lenders, who frequent its more southerly oases. But the plains of Chinese Turkistan are shut off from those of India, by the Pamir, Karakoram and Himalayan ranges, constituting the most formidable mountain barrier to be found in all the world. And, if only for reasons of physical geography, Britain can do little to prevent the penetration of Chinese Central Asia by Russian influences.

The future of Sinkiang turns on the fate of China. Its

¹ For a full account of recent events in Chinese Central Asia see the author's *Journey to Turkistan*, Hodder & Stoughton, 1937.

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Turki inhabitants are, judged by their history and racial character, unable to stand unaided on their legs. If China disintegrates and Chinese rule fades out, Sinkiang must pass under Russian, or Japanese, control. Changes which would bring either of these Asiatic Powers up to the ranges of the Karakoram would result in unwelcome additions to the defence responsibilities of India, in whose interests it is that China should remain mistress of Chinese Turkistan.

Meanwhile, with the Chinese Government engaged in a life and death struggle with the Japanese, the gates of Sinkiang stand more than ever open to penetration by the Soviet authorities. If the Russians are pursuing a fixed plan for the absorption of Chinese Turkistan, it is being unfolded with relative moderation and restraint. But in any case they take doubtless into account the possibility that China may collapse before the onslaught of Japan, and seek to consolidate their influence in Sinkiang before the Chinese and their Government pass under Japanese control.

Amongst the frontier problems which for decades past gave rise to intermittent diplomatic controversy between the Chinese and British Governments was the question of the demarcation of the boundary between Burma and Yunnan. At times, when fanned into a blaze by the clamour of the agitator, this Burma-Yunnan frontier question threatened seriously to impair relations between two friendly Governments; but normally the dispute smouldered away year after year with little prejudice to the interests of either side.

After the British occupation of Upper Burma in 1886 the question of the demarcation of the Yunnan frontier naturally arose. Some of these frontier problems were settled by the Anglo-Chinese Conventions of 1894 and 1897; and a large part of the frontier was delimited by the joint boundary commission of 1898. The commission were, however, unable to reach agreement as regards a stretch of the southern section of the frontier traversing the country of the Wild Wa tribes, who objected violently to either side visiting the fever-stricken

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valleys in dispute and were in the habit of decapitating and collecting the heads of all intruders. The position was further complicated by the existence of ancient silver workings of unascertained value in the neighbourhood.

The British Government, being unable to reach a reasonable settlement, took the matter, as was customary in those days, into their hands, and proceeded to lay down unilaterally on the disputed section of the frontier the line proposed by Sir G. Scott, the British representative. But the Chinese Government in the ensuing years developed their frontier complex, which has ever since governed their reactions on all questions of disputed territory; namely, never under any circumstances to sign away territory to which according to their records China could possibly lay claim; with the result that the 'Scott Line' section of the Burma-Yunnan frontier remained undelimited and unaccepted for more than thirty years.

In 1935 the question of the undemarcated southern boundary, which had slumbered for so many years, was stirred into life by frontier incidents arising out of the examination, on the British side of the disputed area, of the mineral resources of the neighbourhood. The outcome of the diplomatic flutter, resulting from the shower of protests and counter-protests which ensued, reflected the more satisfactory atmosphere of modern diplomatic methods in the affairs of China. Both sides agreed to a renewed attempt at delimitation by a boundary commission, but on this occasion under a neutral chairman to be nominated by the League of Nations. A joint Anglo-Chinese commission, presided over by a Swiss, assembled in due course, and has since then grappled, it is hoped successfully, with its formidable task.

The other section of the Burma-Yunnan frontier still remaining in dispute is that in the extreme north running up to the borders of Tibet. In 1904 a joint commission sought unsuccessfully to demarcate this northern section of the boundary, which traverses wild tribal country between the upper reaches of the Salween and Irrawaddy rivers still in those days unknown and unexplored. In this case also the

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British Government, finding it apparently impossible to reach a reasonable agreement with the Chinese representatives, subsequently notified the Chinese Government that the Irrawaddy-Salween watershed appeared to form the most suitable and natural of frontier lines and that the authorities in Burma would occupy and administer the country on their side of the divide.

The frontier thus unilaterally adopted by the British Government was justified by every canon of equity and common sense. But unfortunately it nevertheless conflicted with the claims of China, whose jurisdiction amongst the hill tribes of the locality spilled in places over the divide. In 1910, during the time of the Chinese advance into the south-eastern districts of Tibet, the Chinese authorities, obsessed with the fear of foreign aggression in China's borderlands, thought it necessary to assert their claim to an obscure village named Pienma (which the natives called Hpimaw) on the Burma side of the dividing range. The Chinese claim to Pienma was very likely historically justified. But the place had no intrinsic value or importance to either side in the dispute; and, two years later, when the revolution resulted in a general collapse of the Chinese position in these frontier lands, the British authorities proceeded in their turn to occupy Pienma, in accordance with the British claim to fix the frontier on the Salween-Irrawaddy watershed.

The Chinese Government protested, and has since continued to protest, against the British occupation of Pienma. No argument or appeal to reason could shake them in their attitude or induce them to abate their claims to this miserable little straw-hut settlement on the Burma side of the divide; which has since remained in Chinese eyes a symbol of British smash-and-grab aggression and one of China's standing grievances against the British Government. The ownership of Pienma is of no strategic, economic or political advantage to China or Great Britain. The natives are probably but little interested in their overlords as long as they are left alone. The only reason why they should be assigned to China is that their headmen functioned formerly under the nominal

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supervision of a Chinese magistrate. Nor is there any reason why Pienma should be assigned to Burma; except that it lies on the Burma side of the divide which, from the map-makers' point of view, was obviously designed by Providence to be the frontier between Yunnan and Burma in this neighbourhood.

CHAPTER SIXTEEN

LOANS, RAILWAY CONCESSIONS AND CONSORTIUM

For more than twenty years, from 1896 to the end of the European War, the financial interests of the leading Powers were closely associated with the political activities of their respective Governments in China. Each nation was represented primarily by a single bank: Britain by the Hongkong and Shanghai Banking Corporation; Russia by the Russo-Chinese (later Russo-Asiatic Bank); Germany by the Deutsch-Asiatische Bank; France by the Banque de l'Indo-Chine; America by the International Banking Corporation; and Japan by the Yokohama Specie Bank. In Peking the agents of the foreign banks were engaged in constant negotiations with the Chinese Government, playing a part and exercising an influence second only to that of their diplomatic representatives. Guy Hillier of the British and H. Cordes of the German banks were the outstanding figures, the best informed foreigners in China, with all the details of the resources and obligations of the Chinese Empire ever at their finger-tips. Hillier was stone blind, due, it was said, to his unremitting labours during the negotiations for the Boxer settlement. Cordes, formerly Chinese Secretary to the German Minister, had been desperately wounded when Baron Kettler was assassinated in the first days of the Boxer episode.

Foreign loan business in China falls into three categories: loans secured on Chinese funds controlled, or partially controlled, by foreign interests, that is to say the Customs, and later the salt, revenues; secondly, the railway loans; and thirdly, the unsecured loans issued on the unsupported promise

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of the Chinese Government to pay. The Customs loans, standing in a class apart, have hitherto been sacrosanct; and are now further supported, as explained in Chapter IX, by the weight of a number of internal loans which rank as later charges on the Customs revenues and give the Chinese banking and commercial world an equal interest in maintaining their inviolability. The railway loans vary, as explained below, from good and indifferent to very bad, according to the terms of the railway loan agreements and the fortunes of the lines; but, unlike railway issues in many other countries, they are, equally with the other Chinese loans, direct obligations of the Chinese Government. The record of the unsecured debt, some of which is of very doubtful origin, is one of almost continuous default, a fact which is in sad contradiction with the reputation of the Chinese for commercial honesty. But the reason has been simply the collapse of government. A Government that has no mandate or authority to govern has no right to contract, and naturally cannot honour, its foreign obligations.

Foreign loan agents, seeking additional security, have in the past harboured ambitions to 'reorganize', and place in the hands of foreign-controlled collectorates, other Chinese revenues, such as the wine and tobacco taxes, the Peking *octroi*, and even the land tax, sheet-anchor of Chinese local government finance. But all such schemes have long since faded into memories; and are never likely now to be revived; unless the Japanese succeed in re-establishing foreign control and tutelage in the affairs of China.

The first foreign loans secured on China's Customs revenues were contracted in connexion with the war indemnity exacted by Japan after the war of 1894. All but one of these early Customs loans have run their course and been repaid. The premier Chinese loan is now the Anglo-German loan of 1898, which has still a few more years to run, and which, with interest at only four and a half per cent, is quoted normally at par or over on the London Stock Exchange. The next charge upon the Customs revenues was the indemnity of

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1901, portions of which have since been earmarked as specific loan security, such as the cancelled German and Russian shares, charged with the services of the first domestic loans; the French share, which now carries the Gold Dollar Boxer loan of 1925, issued to provide funds for the rehabilitation of the Banque Industrielle;¹ and the British share, charged with the loan of 1934 for the completion of the Canton-Hankow line.² All these charges rank with the indemnity itself near the bottom of the pile of obligations secured on Customs revenues. Nowhere but in China could such odd arrangements have been made, the cancelled or remitted indemnity being treated as though still in force. Then, after twelve years' interval, there followed as the next charge the Reorganization Loan issued in 1913; and then the long series of Chinese internal loans; leaving for later argument the precise position of the contingent charges of the railway loans.³

The early pre-Boxer Customs loans were the subject of keen rivalry between the principally interested Powers, in those days Britain, Russia, France and Germany. But the main financial struggle of the European nations over the decaying Chinese Empire was concerned with railway projects in those areas of China earmarked by each Power as its respective sphere of influence. Railway construction was thus forced upon the Chinese as part of the game of foreign political and economic penetration; and during 1898 Russia, France, Germany and Britain bombarded the Chinese Government with demands for railway concessions in accordance with their respective claims to special spheres of interest. After the convulsions of 1900 the Chinese people and their Government reacted instinctively against 'concessions' of all kinds and sought to secure the cancellation of many of the promises and undertakings extorted from China in 1898. But the struggle for railway rights continued,

¹ See p. 71.

² See p. 248.

³ See p. 245.

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though at a moderated pace and with increased regard for China's sovereign rights and interests. And it was not until the change in the international atmosphere brought about by the European War that railway construction in China ceased altogether to be connected with the political and economic ambitions of the interested Powers.

During the Battle of Concessions and immediately succeeding years Russian and French financial interests were aligned together, behind their Governments, in opposition to those of the United Kingdom; with Germany veering to the British side, and Japan and the United States still holding more or less aloof. Subsequently the Russians withdrew from China proper to concentrate their efforts and activities in North Manchuria. The British, French and German Banks were left manœuvring with and against each other; and later on the Americans and Japanese joined in the hunt for Chinese loans. Then, when the Chinese became more independent and learned how to play off one foreign group against another, the foreign interests tended to get together and amalgamate; so that the *Consortium* of foreign banking groups was born.

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The original railway concessions demanded of China by the continental Powers comprised rights to construct and operate their own railways in Chinese territory. Such railway concessions, represented by the Russian *Chinese Eastern Railway* in Manchuria, the French *Yunnan Railway* in the south, and the German *Shantung Railway* from Tsingtao to Tsinan, were naturally the most potent of instruments for the political and economic penetration of the areas of China traversed by the lines.

Britain also demanded and acquired railway concessions, but of a different character; namely loan contracts for the financing and construction of Chinese railways which, when completed, remained Chinese Government concerns. These British railways, such as the Peking-Mukden, Shanghai-Nanking, Shanghai-Hangchow and Canton-Kowloon lines,

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served also as instruments of political and economic penetration but on less brutal and definitive lines. The British bondholders secured (or, as it subsequently transpired, hoped to secure) safe five per cent investments; the issuing bank made good profits from the flotation of the loans and the subsequent management of the loan services; as well as securing a variety of perquisites and pickings in connexion with the construction and operation of the lines. Moreover, British-built railways acted as a good advertisement for British industry and trade; and above all they kept other and more acquisitive and aggressive nations out of the area concerned.

The only purely political railway concession demanded by the British Government was that for a line from Burma into Yunnan, to counter the French penetration of the same province from Tongking. The British Government and their representatives in China wrangled with the Chinese Government for years about this railway project. But the demand was not pressed home and the concession was never definitely granted. In any case, owing to the deeply eroded valleys of the Salween and the Mekong and their tributaries, flowing from north to south across the mountain plateaux of Yunnan, the physical obstacles facing any Burma-Yunnan railway project are enormous; while the commercial prospects have hitherto been anything but promising. The Chinese are now themselves constructing, not a railway, but a motor road, linking the more important towns of Yunnan with the Burma frontier.

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Of the British railways the first to be constructed was the Peking-Mukden line, the subject, in early days, of Anglo-Russian diplomatic rivalry. This line, known as the Imperial Railways of North China, had been begun by the Chinese Engineering and Mining Company, a Chinese coal-mining concern, which employed a British engineer, Mr. Kinder, the father of China's railway system, to construct a railway connecting the mines with Tientsin and the sea. After

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various vicissitudes and much diplomatic wrangling between the Governments of Britain and the Russian Empire, the line was completed under a loan agreement concluded by the Chinese Government with the British and Chinese Corporation, a syndicate formed for the purpose by an amalgamation of the interests of Jardines and the Hongkong Bank. The loan agreement was concluded in 1898; that is to say at the height of the Russian push for control over Manchuria; and the Russian Government did all they could, short of a rupture of relations, to keep the British from entering the Russian sphere. But as the Russians, working in with France and Belgium, were at the same time also negotiating for the construction of a great trunk railway from Peking to Hankow in Britain's Yangtze sphere, the two protagonists eventually called it quits; and an Anglo-Russian understanding was arrived at under which each agreed in future to keep their hands off the other's railway sphere.

Like the other long-distance Chinese lines the Peking-Mukden Railway proved a gold mine for the Chinese Government as long as it was allowed to operate in peace. The line was efficiently and profitably run under the direction of British engineers; the loan ranked as one of the best and safest of Chinese railway loans; interest and amortization were regularly paid; and the Chinese Government received large surplus revenues, out of which they constructed on their own account the railway from Peking to Kalgan and the Mongolian borderlands. But there intervened, unfortunately for the bondholders of the P.M.R., the era of Chinese civil wars, which for a dozen years raged almost continuously in North China and particularly round the capital. The Chinese are a practical people, with a distaste for unnecessary exercise; and Chinese civil wars were always fought along and up and down the railway tracks. The Peking-Mukden line was one of the worst sufferers from military interference and misuse. For years, while Chang Tso-lin ruled in Manchuria, it was divided into two separately operated sections, inside and outside the wall; a state of affairs which recurred after the rape of Manchuria by the Japanese. The rolling

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stock, permanent way and other railway properties deteriorated from damage and neglect; the British railway staff were insulted and ill-used; the safeguards of the loan agreement proved inadequate or were set aside; and the loan service, in spite of the protests and exhortations of the British Minister, went intermittently into default.

Nevertheless, the Peking-Mukden Railway is inherently a very sound concern. Out of the original loan of two million three hundred thousand pounds, only about half a million has still to be repaid; and, before the outbreak of hostilities in 1937, the loan stood at par in the quotations of the London Stock Exchange. At the time of writing, in May of 1938, the service of the loan is being fully met, though the line has passed completely under Japanese control and is being managed by officials from the S.M.R.

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The next trunk railway to be undertaken was the line, 750 miles in length, from Peking to Hankow, an enterprise similarly born in an atmosphere of diplomatic rivalry. The loan contract was originally under negotiation with an American financial syndicate, who were, however, outmanœuvred by a Franco-Belgian-Russian group. The agreement for the construction of the line was finally concluded with a Belgian syndicate in 1898, with powers of operation and control during the currency of the loan. British interests saw in the undertaking a nefarious scheme for France and Russia to join hands from south to north across the length of China. However real this danger may have been, it disappeared with the repulse of Russia by Japan in 1904. The line was completed in 1905, and was soon after redeemed by China by means of the Anglo-French loan of 1908, secured, not on the railway, but on the Chinese salt revenues. The foreign financial and political interest having been thus eliminated, the Peking-Hankow Railway passed under unfettered Chinese Government control. The Chinese still on their own account employed a few French and Belgian railway engineers, who were not, however, able to prevent

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the line becoming the bedraggled enterprise so familiar in that character to foreign residents at either end. A journey by the Peking-Hankow Railway came to be regarded by the foreigner as something involving hardships and discomforts akin to those of a trip 'in the interior.' Every kind of abuse associated with the Chinese and their railways flourished; the bloated armies of the civil wars preyed for years on the railway and its revenues; and the line and rolling stock became at times incredibly dilapidated. Yet the earnings poured in when circumstances permitted of their doing so; and the train services were somehow or other usually maintained. Chinese standards of railway management are not those of Europe or America; and operating methods and conditions, which shock the very soul of the British railwayman or passenger, are for the Chinese reasonably adequate.

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Amongst the demands put forward by the British Government in 1898, as counter-measures to the concessions extorted by the other Powers, was one for the grant to British interests of loan contracts for the Shanghai-Nanking, Shanghai-Hangchow and Canton-Kowloon railway lines. The loan agreements were concluded and the lines constructed in the early nineteen-hundreds. The Shanghai-Nanking Railway, 190 miles in length, was always a very profitable and successful line and suffered less than the railways of the northern provinces from the depredations of the civil wars. It was not, however, to escape all trial and tribulation, and suffered very heavily during the Shanghai hostilities between China and Japan in 1932 and 1937. The loan was for about three million pounds and the original agreement contained no provision for repayment before the expiry of its currency in fifty years. In 1924, however, a supplementary agreement was concluded providing for its regular amortization. Before the outbreak of hostilities in 1937, the loan stood at eighty to ninety on the London Stock Exchange.

The negotiations for the Shanghai-Hangchow-Ningpo Rail-

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way, which dragged on for years after the interval of 1900, were complicated by the opposition of vested Chinese interests in Chekiang. A native company started to build the line in violation of the rights promised to the foreigner, and there were threats of riots and agitation against the foreign interests. The Chinese Government twisted and turned, seeking to evade the obligations of 1898; while the British Minister, in accordance with the practice of the times, sought with grim determination to hold them to their undertakings. The loan agreement was finally concluded in 1908 and received as additional security a charge on the surplus earnings of the Peking-Mukden line. Like the S.N.R., the Shanghai-Hangchow Railway suffered frightful damage in the war between China and Japan; and both lines are now (May, 1938) in Japanese military occupation and unable to meet the service of their loans.

The negotiations for the short Canton-Kowloon line, only 110 miles in length, were easier. The railway was built in two sections, the British section of twenty-two miles through British territory being constructed by the Hongkong Government, and the rest by China under a British loan agreement. The Canton-Kowloon Railway never paid its way and suffered also severely from the civil wars and political convulsions of the Cantonese; so that the loan, being unsupported by any outside security, passed into chronic default. The prospects of the line have now improved with the completion at long last of the railway from Canton to Hankow; which, linked with the Canton-Kowloon line, furnishes through communication from Hankow to Hongkong.

The officially recognized instrument for the conclusion of all these British railway loan agreements was the British and Chinese Corporation, a syndicate representing the interests of the Hongkong and Shanghai Bank and Messrs. Jardine Matheson and Company. Another British concern, the Peking Syndicate, the origins and elements of which are examined in a later chapter, had in 1898 obtained far-

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reaching mining and railway rights in certain other provinces. The Peking Syndicate included, as well as British, French and Belgian financial interests; and it was these ramifications in international finance which led to the creation of yet another British concession-hunting agency, styled the Chinese Central Railways Limited, embracing the rights and interests of the British and Chinese Corporation, the Peking Syndicate, and their component parts, for the purpose of acquiring, with the backing of the British Government, further railway concessions north of the Yangtze river. The first objective of the new concern was to be the trunk railway from Tientsin to Pukow.

The construction of a second north-to-south railway from Tientsin to Pukow, on the north bank of the Yangtze opposite Nanking, corresponding to the Peking-Hankow Railway further in the west, had been in contemplation since 1898 and earlier. As the Yangtze Valley was claimed as the British, and Shantung as the German, sphere of influence, it was natural that an arrangement should have been arrived at for Britain and Germany to share the line between them. The negotiations, begun in 1898 and interrupted by the Boxer episode, were long and complicated and it was not until 1909 that the loan agreement for the construction of the Tientsin-Pukow Railway was finally concluded. The loan was issued jointly by the Deutsch-Asiatische and Hongkong Banks, the latter representing Central Chinese Railways Limited, and provided for the construction of the northern section by German, and the southern section by British, engineers.

The early loan agreements contained the tightest possible provisions for the protection of the bondholders' capital and interest; the employment of foreign engineers-in-chief and chief accountants; foreign supervision over the expenditure of funds; the mortgaging of the railway properties and revenues; and the lodging of railway funds in foreign banks. Some of these safeguards were helpful and effective; others, such as the mortgaging of the line itself, read well enough on paper but were in reality illusory; since the debtors were

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the Chinese Government and there could be no foreclosure without armed intervention by the interested foreign Government; and the days for that sort of 'gunboat diplomacy' in China were already past. But, in any case, as the Chinese came to realize the derogations of their sovereign rights involved in such arrangements and the possibility of playing off one foreign bank and Government against another, these precautionary safeguards came in the later railway loans to be progressively abandoned. Finally, in 1909, a new standard was set up by the Tientsin-Pukow Railway Loan Agreement, under which there were no specific safeguards for the bondholders' investment beyond a promise by the Chinese Government to pay capital and interest instalments out of railway revenues, supported by a charge on the *likin* and other taxes of the provinces traversed by the line.

The Tientsin-Pukow railway loans, original and supplementary, totalling seven million pounds, were issued to the public in Germany and England with results altogether disastrous for the holders of the bonds. The proceeds of the loan were duly expended on the construction of a first-class railway line, over six hundred miles in length, with good rolling stock and solidly constructed station buildings and appurtenances, Germanic on the northern, and British on the southern, section of the line. But within a short space of time the provinces traversed by the railway became and remained intermittently for many years the principal theatre of hostilities in the North China civil wars and the conflict between North and South. The armies of the rival Chinese war-lords fought and manœuvred up and down the line, commandeered the rolling stock and seized the railway and provincial revenues. Permanent way, buildings, engines and trains and other railway properties, supplied and fitted up in spick-and-span condition by the British and German manufacturers and engineers, sank into dilapidation and decay. Equipment for a *train de luxe*, famous, or notorious, in China as the 'Blue Express', had not been paid for when its trains were to be seen in the last state of

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decrepitude anchored in stations as kitchens and sleeping quarters for Chinese war-lords and their lousy retainers. Complete default in payment of capital and interest became a chronic condition of the finances of the line until the debts and overdue instalments ran into millions.

There was, however, in this orgy of default, mismanagement and misappropriation, one ray of hope for the disappointed holders of T.P. railway bonds. A clause in the loan agreement provided, with reference to the charge on the *likin* revenues of certain provinces, that in the event of *likin* being abolished and the Customs tariff raised, as contemplated in the treaties concluded after 1900,¹ the bonds would be charged to an equivalent amount on the increased Customs revenues resulting from the raising of the tariff. This stipulation held out the possibility of converting an unsecured Chinese railway bond, worth little more than the paper it was printed on, into a gilt-edged Chinese Customs obligation; and when, after China had recovered tariff autonomy at the end of 1929, the National Government proceeded to raise the tariff and decree the abolition of all *likin* duties, the Customs clause came, it was argued, automatically into effect. But the wording of the clause and the network of interests connected with the other charges, foreign and domestic, on the Customs revenues created a financial-diplomatic tangle which could not, it seemed, be possibly unravelled. After years of controversy and argument, while the default grew to a monstrous sum, the Chinese Government in 1936 announced a scheme of settlement under which the greater part of the arrears of interest were cancelled, while future payments, beginning on a lower scale, were to be immediately resumed. Similar schemes for dealing with the Hukwang and Canton-Kowloon and other bankrupt Chinese railway loans were simultaneously decreed. The reorganization of the railways seemed to be taken seriously in hand; and the bonds, which had for years been quoted at rubbish prices on the London Stock Exchange, rose in

¹ For explanation of *likin* see Chapter VII.

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response. But, before the sincerity of the Chinese Government could be tested by results, the Japanese invasion swept their promises and good intentions into dust.

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The next Chinese railway enterprise to claim in 1909 the attention of the foreign banks was the Canton-Hankow line. A railway route connecting two such important points in South and Central China cried out for immediate development; and, though the country to be traversed was known to be difficult and mountainous, the line was one of the earliest of China's railway projects. The distance, following the old trade route through Hunan province, was between 650 and 700 miles. A concession for the construction of the line had been obtained as long ago as 1898 by an American financial group. But after 1900 there was trouble with Chinese provincial opposition and the competition of French and Belgian interests; and five years later the American concession was redeemed. The Chinese started to build the line themselves and eventually completed about 140 miles through Canton province before abandoning the enterprise. In 1909 British and French interests, having got together in the Chinese Central Railways group, were negotiating for a loan agreement for the completion of the line. The Germans entered the field and offered China better terms. To avoid this cut-throat competition the foreign banks agreed between themselves to amalgamate their interests and to extend the scope of their proposals to include a railway from Hankow west into Szechuan province, which had long been regarded as one of the richest prizes in the Chinese railway world. Then the Government of the United States, pursuing under a new administration a more vigorous policy in China, intervened by claiming to participate. In this way there originated the first Consortium and the Four Power Hukwang Railway Loan, which, after two years of intricate negotiation, was finally concluded in the spring of 1911. The agreement, like the other railway loans negotiated at this time, had to be forced upon the Chinese Government

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in the face of the opposition of Chinese provincial interests, and was one of the immediate causes of the revolution which broke out in the autumn of the year.

The Hukwang Railway Loan agreement, signed by the Chinese Government with the British, French, American and German banks, provided for the completion of the Canton-Hankow line and the construction of a further railway from Hankow to Ichang in West Hupei and Kweichowfu in Eastern Szechuan. The projected railways were divided into sections, and the supply of materials and the employment of foreign engineers were to be shared according to their sections between the four Powers contracting for the loan; the lion's share accruing to the British group, to whom was assigned as their section the completion of the Canton-Hankow line.

The subsequent history of the Hukwang railway enterprise was one of frustration and disappointed hopes. The British section was built as far as Changsha, the capital of Hunan province, when shortage of funds, the European War and political difficulties in China led to the abandonment of the enterprise; leaving a gap of 250 miles between the two ends of the Canton-Hankow line which was not filled in for more than twenty years. On the American and German sections of the Hankow-Hupei-Szechuan Railway no appreciable amount of building work was ever done.

The terms of the Hukwang loan were in outline the same as those of the Tientsin-Pukow loan agreement and, from the foreign investors' point of view, apparently far from satisfactory. The security comprised, not the railway or its revenues, but a string of provincial salt and *likin* taxes. The relatively short section of the railway which was built soon sank into bankruptcy and decay. But the bondholders benefited by an unexpected windfall when two years later the new Chinese Salt Administration was established by Sir Richard Dane under the terms of the Reorganization Loan Agreement of 1913. For many years half of the annual service of interest of the Hukwang loan, which would

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otherwise have been in complete default, was met, to an amount corresponding to the charge on the provincial salt taxes, out of the revenues of the Salt Inspectorate. Later on the bondholders received a further windfall, though a hypothetical one, when *likin* was abolished; for the Hukwang agreement contained the same clause as the Tientsin-Pukow railway loan, providing, if and when *likin* was abolished, for an equivalent charge on China's Customs revenues.

The Canton-Hankow Railway was finally completed many years later with the help of funds from the British share of the Boxer Indemnity.¹ The line had taken nearly forty years to build. But, before the bondholders had time to benefit by better dividends, the Japanese were seeking to destroy the railway with their bombing aeroplanes.

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Two more Chinese trunk railways were constructed with foreign capital during the pre-war period, the Shansi Railway and the east-to-west Lung-hai (Haichow to Kansu) line.² The former, running from a point on the Peking-Hankow Railway through the loess mountains of Shansi for a hundred and fifty miles to Taiyuanfu, was built with French and Belgian capital. The latter, which runs from Haichow on the coast of Kiangsu, through Honan and into Shensi province, bound for Kansu and beyond, will one day be the longest of all the Chinese railway lines. It was originally built with Dutch and Belgian capital under loan agreements chronically in default, was recently completed as far as Sianfu, and is still slowly crawling on its way to China's far North-west.

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The Chinese revolution interrupted various further railway projects under negotiation with the foreign banks, and the outbreak of the European War soon after brought all

¹ It was opened to through traffic in 1936.

² *Lung* is the Chinese classical name for Kansu province.

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railway enterprise in China to an end, leaving a number of contracts and preliminary agreements unfulfilled; and, when the war was over, chaotic political conditions and the rise of nationalism in China rendered impossible any resumption of these broken railway threads. Amongst these unfulfilled contracts were the loan agreements concluded with the British and Chinese Corporation for railways from Pukow, opposite Nanking, to Sinyang, on the Peking-Hankow Railway, and from Nanking to Chuchow in Hunan. Messrs. Pauling and Company had obtained a contract for a railway line from Shasi, on the Yangtze, to Hsingyi in Kweichow province; and another British firm, Messrs. Pearsons, were negotiating for contracts for railways from Nanchang, in Kiangsi, to Canton, and from Canton to Swatow. The French had secured rights in a projected railway from Pakhoi, on the Kwangtung coast, to Yunnanfu and Chungking. A Franco-Belgian group had signed an agreement for a trunk railway from Tatung in northern Shansi to Chengtu in Szechuan. And the American Siems-Carey group had obtained rights for the construction of railways in South China and from Hankow up the Han river through southern Shensi into Szechuan.

For many years there seemed to be no prospect of any of these railways being built. On the one side the foreign investor, after his melancholy experiences in connexion with former Chinese railway loans, would not be easily attracted by offers of new loans unless on stiffer and more exacting terms; and on the other, the new Nationalist China, far from being willing to concede more drastic measures of security and loan control, was determined to rid itself of the servitudes of the foreign railway loan agreements. But, after the National Government had settled down, during the five years preceding the war with Japan in 1937, railway construction was to some extent resumed. As well as the extension westwards of the Lung-hai Railway to Sian and beyond, and the completion of the Canton-Hankow line, a new railway was built from north to south through Shansi, linking Taiyuan, the provincial capital, with the elbow of the Yellow

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River in the south; in Central China a new line was completed from Nanchang in Kiangsi to Hangchow in Chekiang; and several shorter railways were constructed in the Yangtze Valley. All these new lines were built by Chinese, instead of by foreign, engineers, with funds furnished by Chinese silver loans or advanced by the British Indemnity Trustees. At the same time steady progress was made in the rehabilitation of the existing lines which had been so battered in the civil wars. Many of the railways benefited greatly by the new equipment provided by the various Indemnity arrangements. A distinguished British railway expert was invited to investigate the railway problem and advise the Chinese Government on the reorganization of the lines. Finally the confidence of the foreign investor was sufficiently restored to render practicable the flotation of new foreign railway loans. At the fortieth annual meeting of the British and Chinese Corporation held in May, 1938, the chairman referred to the marked improvement in the situation of the Chinese railways prior to the outbreak of hostilities in 1937 and to the conclusion by the Corporation, for the first time since the beginning of the European War, of new railway loan agreements, including contracts, in partnership with Chinese banking interests, for the construction of the Canton-Meih sien and Pukow-Siangyang lines.¹ But within a few days of the signature of the new agreements the outbreak of hostilities rendered impossible the issue of the loans.

The war between China and Japan, fought, like the Chinese civil wars, so largely up and down the railway lines, wrought frightful havoc on the railway tracks and their rolling stock, bridges, buildings and equipment. Large sections of the Shanghai-Nanking, Shanghai-Hangchow, Tientsin-Pukow, Peking-Hankow and Lunghai Railways were totally destroyed. For the moment the outlook for the Chinese Ministry of Railways and the bondholders interested in the lines is blacker than it has ever been before. Yet China's powers of recuperation have hitherto proved to be unlimited; and sooner or later,

¹ Meih sien is on the Kwangtung-Fukien border; Siangyang is on the Han river in Hupei, west of Sinyang.

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when this tragic conflict ends, the Chinese railways will prosper once again.

And, unless the Japanese succeed in putting back the clock, the Chinese will in due course build many new railways; and again no doubt resort to foreign capital to help in their construction. But the terms of the loan agreements will be those of business contracts, free from the interference of foreign Governments. In future foreign railway experts, if engaged at all, will be employed as advisers to the Chinese railway managements, instead of as watch-dogs for the foreign holders of Chinese railway bonds. The results will be railways run on Chinese standards, which are not those of Europe and America, but satisfy the Chinese wants. Nor is there, since the introduction of the motor truck, the need for all the railways that there used to be. Roads of a sort, but judged by Chinese standards fit for motor traffic, can be and are constructed at a fraction of the cost of railway tracks.

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In the above review of Chinese railways nothing has been said about Manchuria. The story of railway enterprise in Manchuria would need a chapter or a volume by itself; and is in any case no longer of any but academic interest. The struggle between Russia and Japan; the growth of Japanese control through the development and exploitation of their railway rights in South Manchuria; the repulse of British and American financial interests which sought to enter the Manchurian field; and the attempts of the Chinese to free themselves from the stranglehold of the South Manchurian Railway by the construction of competing Chinese lines—all this passed in September of 1931 into the realm of academic history.

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The first 'Consortium' loan had been the Four Power Hukwang Railway Loan of 1911, in which Britain, France, Germany and the United States participated. The next attempt at international co-operation in financial enterprise

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in China was the Five Power Reorganization Loan of 1913, concluded with the object, from the foreign point of view, of setting the new Chinese Republic under Yuan Shih-k'ai on its financial and administrative legs. Britain, France, Germany, Russia and Japan participated in the loan, the United States withdrawing at the eleventh hour owing to the moral scruples of the State Department. The story of the Reorganization Loan has been told in Chapter IX. A few months before it was concluded an independent British group, competing with the officially supported British syndicate, successfully negotiated in the face of British governmental frowns the 'Crisp' loan of 1912, which thus acquired a prior charge on the revenues of the new Salt Administration of Sir Richard Dane. The loan of 1912 remains secured on the revenues of the Salt Gabelle; and ranked, until the outbreak of hostilities, as a good second-class Chinese Government security. The Reorganization Loan, secured on both salt and Customs revenues, became, with the paying off of earlier Customs loans, a gilt-edged Chinese Customs obligation.

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With the ending of the European War the foreigner resumed his hunt for profitable Chinese loans; but in an atmosphere which had worsened in the interval. By 1919 the Peking Government were already degenerating into one of China's warring factions; prepared to sign almost any document which would furnish them with funds in cash; though without a mandate from the country to borrow foreign money or authority to control its revenues as loan security. But they were still the recognized Government of China and able accordingly to command the attention of the loan-mongers of Japan, Europe and America. And on the foreign side the optimism of the early post-war period prevailed. The result was a flood of unsecured loans which went into default almost as soon as they were made.

The pace was set by Japan, since the Government then seated in Peking were supported by Japanese military influences; but British, American and European interests

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joined in the hunt. Amongst the unsecured debts and obligations contracted at this time were the Japanese Nishihara loans; the Japanese Mitsui loan, for the erection near Peking of a huge wireless station which became derelict as soon as it was built; the Vickers and Marconi eight per cent treasury notes sold to the British public, the former to pay for commercial aeroplanes which were never used for commerce but disappeared in Chinese civil wars, and the latter for the purchase of wireless telegraphy equipment which was squandered in mismanagement; the American Pacific Development Company loan, secured on the wine and tobacco revenues which the Chinese Government were never able to collect; and the Skoda loan, a consolidation by Italian interests of pre-war debts owing to Austrian munition-makers for war material which had never been supplied.

It was to stop this orgy of uncontrolled borrowing without security that the new Consortium was formed in 1920 on the initiative of the Americans. The Consortium agreement was signed in October of 1920 by the banking groups of Britain, France, Japan and the United States (Germany and Russia being outcasts from the war and Italy still in such matters relatively unimportant). The agreement was the outcome of prolonged negotiation, during which the bankers and their Governments scratched their heads for many months in the attempt to reconcile Japan's special rights and interests in South Manchuria with the high-minded idealisms of Britain and America. As finally concluded it provided for equal participation in all Chinese Government loans involving public issues, exception being made in regard to existing contracts relating to undertakings, such as railways, on which substantial progress had been made. The foreign Governments engaged to give their full support to their respective banking groups, a point which led to complaints and dissatisfaction in the British camp, until the British group was suitably enlarged to cover possibly competing British interests.

The ideas behind the Consortium were to put an end to cut-throat competition in the Chinese financial field and

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to make Chinese loan business respectable, in the interests of foreign lender and Chinese borrower alike; to protect the investors of London, Paris and New York against the shifts and snares of Chinese governmental methods; and to save the Chinese against their own bad habits and prevent them mortgaging the nation's assets and perhaps its political integrity. The birth of the Consortium was accordingly heralded with trumpet blasts of Anglo-American advertisement and elaborate explanations of its good intentions towards the Chinese people. But it had been created without reference to the Chinese Government, who took offence, professing to regard it as an unfriendly combine designed to keep China in financial leading strings and restrict her freedom of action in the world of international finance; which was in fact the situation, because the disunited China of those days needed to be kept in leading strings. But the result was that the Chinese Government refused from first to last to have any dealings with the new Consortium, the achievements of which remained entirely negative, in preventing the conclusion of further foreign loans of any magnitude; which in the circumstances of the time in China was probably the best that could have happened. Later on the new China, growing up out of agitation and disorder, and intoxicated with the extreme nationalism of the period, was more than ever hostile to the Consortium as a threatening instrument of foreign capitalist control. And, by the time the National Government had sobered down and become reasonable and respectable, there intervened the conflict with Japan.

So the Consortium came into the world still-born and never negotiated any Chinese loans. Instead the Chinese Government in the years that followed 1920 made the discovery, with the assistance of Sir Francis Aglen, that they could raise silver loans from Chinese and foreigners in China through short-term Chinese Customs bonds. A new flood of loans ensued, internal issues secured on Customs revenues. At first the foreign Governments reacted with a shower of protests, on the principle that China had no right to pledge

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the only revenues available while foreign debts and railway loans sank more and more into default. The story of how the Tariff Conference in 1925 sought unsuccessfully to load the foreign debt on to the Customs revenues has been already told in Chapter VII. But there was nothing to be done, until ten years later the National Government took their financial past seriously in hand; and were proceeding to scale down and consolidate unsecured loans, debts and defaults when their efforts were cut short by the outbreak of hostilities.

CHAPTER SEVENTEEN

ARMY, NAVY AND AVIATION

Before 1900 China's armed forces consisted of the organization of the Manchu Banners, as well as Chinese local levies, the latter known from time immemorial and for reasons unexplained as *Lü Ying*, 'The Green Militia'. These were the troops with which in the nineteenth century the Chinese Government opposed the coming of the foreigner. The Manchu Bannermen were originally military colonists, the army of occupation of the Manchu conquerors. Each male, enrolled as a member of a Manchu Banner, drew his ration of Chinese tribute rice and was obliged in return to furnish his military services to the Emperor. The standards of military prowess and efficiency were still judged by tests of skill in mounted archery. The Chinese Green Militia were equally useless from a military point of view. Only the homeless and most indigent adopted a military career; so that the dregs of the population furnished the rank and file, who were generally clothed in rags, rotten with opium smoking, and armed with swords and halberds and ancient matchlock guns, and frequently existed only on the pay-rolls of their generals. China was in those days a world unto herself and her armed forces were only needed for internal purposes; and for these, in accordance with the Chinese character, make-belief was as important as reality. An outward appearance of martial ferocity was all that was necessary for officers and men, the most important parts of whose equipment were the standards and insignia of military might. Each soldier wore a large embroidered character signifying 'Brave'; and forts were frequently

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equipped with painted circles representing cannon mouths. In Chinese class philosophy the military profession was held in low esteem; while the Chinese soldier had too much common sense readily to sacrifice his life. These characteristics, a lack of pride in his profession, a tendency to treat battles as though they were theatrical manoeuvres, and common-sense reluctance to expose his person to unnecessary risk, remained amongst the Chinese soldier's attributes until in relatively recent years the new nationalism gave him a cause for which to fight and die.

After the war with Japan in 1894 Yuan Shih-k'ai was entrusted with the task of creating a new army modelled on the military forces of Europe and Japan. Progress was slow but steady. Fifteen years later, when the revolution intervened, the new army totalled already close on two hundred thousand men. The bulk of the divisions were naturally recruited from and stationed in the northern provinces; and it was on the strength of this northern army that Yuan Shih-k'ai rode into and remained in power. Yuan's modern-style army was never tested against a foreign enemy. In drill and on manoeuvres it made an excellent impression on the foreign officers who watched its growth. The years immediately preceding the birth of the Republic witnessed the Chinese forward movement on the borders of Yunnan and Tibet; and these Chinese frontier activities, combined with exaggerated reports of the strength and efficiency of China's modern army, created in the minds of foreign Governments a bogey, probably at that time quite unwarranted, of China's military efficiency and strength. But the bogey served its purpose in checking the aggression of the foreign Powers.

After Yuan Shih-k'ai's death, during the long years of disunity and civil wars, the Chinese armies disintegrated and at the same time grew to monstrous size. It was impossible for the foreign military attachés, charged by their Governments with the task of watching China's military development, to give any coherent account of the organization and equipment of the myriads of soldiers, rebels, bandits

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and irregulars, who were in those days under arms. The bloated armies of the war-lords wandered to and fro across the face of China. In the battles of the civil wars there was more noise than slaughter, and more danger to the civilian populations of the captured towns than to the combatants. The Governments of the Treaty Powers, following the lead of Britain and America, did something to check this orgy of internal militarism by the Arms Embargo, which remained in force from 1919 to 1929; mutually agreeing to restrain their nationals from supplying arms to China until the establishment of a Government whose authority would be recognized throughout the country.¹ The Arms Embargo was resented by the Chinese as an insulting restriction on their liberty of action, which placed them on a level with the barbarians of darkest Africa; and it led to much misunderstanding, protest and mutual recrimination amongst the signatory Powers. But it did undoubtedly prevent the wholesale dumping on distracted China of surplus war material from Japan, Europe and America.

During this era of military chaos it was in general a maxim that the fighting spirit, organization and equipment of the northern troops were far superior to those of the armies of the southern provinces. But the rise of the Kuomintang in alliance with the Russian Communists introduced new factors in the situation. The southern soldier, worked up by the propaganda of the Nationalists, began to fight better than the northerner. The armies of the Kuomintang were trained by Russian officers, of whom the chief was Galen, better known in Russia as Marshal Blücher in the Red Army of the Soviet; reorganized by Galen and his Russians, and under the supreme command of Chiang Kai-shek, they swept victoriously north until the war-lords, one by one, succumbed and the whole country was nominally united by the Kuomintang.

After the establishment of the Nationalist régime in 1928 Chiang Kai-shek, having turned against his Russian mentors,

¹ The Arms Embargo Agreement between the Powers was cancelled in 1929 after the establishment of the Nanking Government.

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sought new advisers to train the armies of the Nanking Government. He engaged the services of a German military mission, under Colonel Bauer, a distinguished German soldier who had made his reputation in the European War. Bauer died in China, but was at once replaced. The Germans must have had a task as difficult as it was discouraging in dealing with the political and other obstacles of those unstable days. Nevertheless the new Nationalist armies soon took shape and showed a marked superiority in fighting spirit and efficiency over all of their internal enemies with the exception of the Communists. The latter, though without bases, arsenals, equipment or supplies, were still animated by the ferment of the revolution, and generally proved more than a match for the best armies of the Nanking Government.

When the conflict with Japan burst into flames in Manchuria in 1931 Chiang Kai-shek was still busy training his new armies at Nanking and using them to complete the conquest of China by the Kuomintang. It has already been explained how for six years the armies of Chang Hsueh-liang, the 'Young Marshal', son of Chang Tso-lin, served as buffers between the invading Japanese and the new German-trained forces of the Nanking Government.¹ In 1937 the latter became at last involved and the real struggle then began. According to the *China Year Book* the Chinese armies totalled by this time close on two million men, including the well-trained divisions of the Nanking Government and the less efficient armies of their nominal subordinates in the remoter provinces, and excluding many tens of thousands of Communists, bandits and irregulars, all of whom joined in the holy war against Japan. Such figures should, one would suppose, deter the most reckless of international adventurers. Mere numbers had, however, formerly little significance in Chinese military affairs. The bigger the armies, the more marked would be their lack of staff organization, fighting spirit and efficiency. The Japanese estimated they could take on Chinese troops at a ratio of five or ten to one. But, as the Japanese generals were soon to learn, astonishing

¹ See Chapter II.

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changes had taken place since 1931. The best of Chiang Kai-shek's new German-trained divisions were decimated in the battles round Shanghai. Yet, far from disintegrating, China's armed forces seemed to be reborn. New units were created, and generals were ruthlessly cashiered and executed for failing to resist. After the war had been in progress for six months the Japanese had half a million men engaged and found the Chinese armies seemingly stronger than at the beginning of the war.

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While the Chinese Army looked to Japan and Germany for guidance and inspiration, the navy was from the outset trained on British lines. The organization of a modern navy was begun in the 'eighties of last century, with ships purchased in Great Britain and a personnel trained by British officers. The story runs that the funds collected for the navy were used by the Dowager Empress for the construction of the new Summer Palace near Peking. In the result these funds were perhaps more usefully expended in this way, since the greater part of China's modern navy was destroyed by the Japanese in the war of 1894.

The subsequent history of China's navy followed lines similar to those of the story of the modern army. A few small cruisers, gunboats and destroyers were acquired from British, German and other European yards, and British instructors were again engaged to train the personnel. During the twenty years following the war of 1894 the nucleus of a modern navy was again built up. Then, after the death of Yuan Shih-k'ai, the navy disintegrated and such vessels as survived passed into the ownership of rival war-lords happening to control the ports in which they lay.

The third phase in the career of China's modern navy opened with the establishment of the Nanking Government in 1928. The scattered squadrons passed in due course

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under the National Government's control and a new navy was gradually organized. A small cruiser was purchased in Japan; but the National Government wisely refrained from any large expenditure on naval purposes. They might have acquired at break-up prices fleets of obsolete foreign vessels more powerful than any they possessed. But fortunately the Arms Embargo, and later the Washington Agreement between the major Powers, prevented the dumping on China of men-of-war from the scrap-heaps of Japan, Britain and America.

In 1931 an agreement was concluded with the British Government for the provision of a British naval mission to train and reorganize the Chinese naval forces of the Nanking Government. The navy remained, however, down to the outbreak of hostilities in 1937, an embryo; a few small cruisers, destroyers, gunboats and torpedo boats, many of which were thirty to forty years of age and hopelessly obsolete from a modern naval point of view.

The record and traditions of the Chinese Navy are relatively good; the discipline and training, judged by Chinese standards, are generally excellent; and the vessels clean and well maintained. The fleet of antiquated craft used formerly to lie in a backwater of the Yangtze off Nanking, their principal functions being to fire salutes and provide an occupation for the Navy Ministry. But for the purpose of warring with Japan the Chinese Navy was in the position of a row-boat pitted against a battleship.

3

The Chinese Government started a military flying school near Peking as early as 1913 with Caudron aeroplanes purchased in France. But it was not until after the European War that serious efforts to develop aviation were inaugurated. British aeroplane interests were first in the field. In 1919 the Chinese Government purchased six big Handley Page

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machines, concluded the Vickers contract, covering the supply of over a hundred commercial and training aeroplanes and an advance of half a million pounds for the expenses of the new air establishment, and engaged the services as Air Adviser of a distinguished British Air Force officer. But the British effort was before its time, the politics of China in those days were too chaotic, the aeroplanes disappeared in the recurrent civil wars, and the enterprise ended in loss and disappointment for all the interests concerned.

Ten years later, after the establishment of the Nationalist régime, the Nanking Government paid more serious attention to the development of commercial aviation. The new Nationalist China was, however, intensely suspicious of foreign air activities, and, in accordance with their customary policy, the Nanking Government turned for assistance to those nations which they considered to be politically the most innocuous. These (to the annoyance of the Japanese) were Germany and the United States. Joint Sino-American and Sino-German companies were formed, the China National Aviation Corporation and the Eurasia Company, for the development under Chinese Government control of a network of commercial air-lines over China.

The China National Aviation Corporation was formed in 1929 by a contract concluded with the American Curtiss Aviation Company. The Americans established a successful service with amphibian aeroplanes flying up and down the Yangtze between Shanghai, Nanking, Hankow and Chungking, and traversing the mighty Yangtze gorges, one of the wonders of the world. The trip up the river was made in two short flying days, in place of the two weeks occupied on the same journey by river steamer. Between Shanghai and Ichang the aeroplanes, flying high above the Yangtze, could, if the necessity arose, at any time make a forced landing on the broad surface of the river. Beyond Ichang they flew either over or through the gorges according to weather conditions at the time; but in either case it would be an experience which the passenger was never likely to

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forget. Later on the service was extended to Chengtu and Yunnanfu. Another line was opened between Shanghai and Canton; difficult flying along a mountainous and rock-bound coast, only too often swathed in mists and rain. Yet another line was established between Shanghai and Peking, an easier and safer flying route across the plains of North and Central China, save for the passage of the rugged Shantung mountains in between.

The Chinese Government entered into a similar contract with the German Lufthansa Company for the formation of the Eurasia Corporation, operating Junkers aeroplanes. The original project aimed at the establishment of an air service linking China with Europe across Mongolia, Siberia or Turkistan. The new company sought at first to open an air-line from Peking to Manchuli, where the Trans-Siberian Railway enters Manchuria; flying due north across the mountains of Jehol and the prairies and deserts of Mongolia. But they were unable to arrange matters with the Outer Mongols and the Russians; and, after one of their aeroplanes had been shot down in Mongolia, the Germans sought an alternative route to Europe across the mountains and deserts of Chinese Turkistan. Successful flights were made from Shanghai to Urumchi and beyond. But political obstacles again proved insurmountable, and the Eurasia organizers and their courageous German pilots had to abandon the ambitious project of a line to Europe overland and rest content with services connecting the coast of China with the north-western hinterlands. In 1937 the Eurasia aeroplanes were flying regularly from Shanghai, via Nanking, Chengchow and Sian, to Lanchow in Kansu; from Lanchow to Ningsia and Paotow; and from Sian to Chengtu; traversing regions which a few years earlier were scarcely known to European travellers.

China, with its huge extent of territory, and inadequate and antiquated means of transport, offers an enormous field for commercial aviation enterprise. A beginning has been made by the German and American concerns. Both have done splendid work and both have records of which they

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have good reason to be proud. Their aeroplanes, flying across the unmapped mountain regions of the far interior, cover in a few hours journeys which would otherwise mean weeks or months of travel. Regular services have been maintained in spite of tremendous difficulties, physical, climatic and political. And the figures of loss of life by accident have remained extraordinarily low.

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Chiang Kai-shek and his colleagues in the Nanking Government appreciated to the full the significance and importance of the aeroplane for fighting purposes, and from the outset they paid particular attention to the development of an efficient air force, trained by American instructors and equipped with American machines. A strong American air mission was engaged and worked for several years at the training of pilots and other air force personnel. In 1934, however, the Italians, pushing with skill and energy the performance of their Fiat aeroplanes, succeeded in displacing the Americans and establishing a mission of Italian officers as trainers and advisers to the Chinese air establishment. And finally the outbreak of hostilities in 1937 compelled the Chinese Government to turn again to Russia for the supply of aeroplanes, which could be flown to China overland across Mongolia or Turkistan.

The Chinese are as adaptable as they are intelligent and make good air force pilots; learning to fly as easily as they learn to drive a motor-car. Their tendency in both cases is to be over-confident; and to take too much for granted the marvellous inventions of the foreigner.

CHAPTER EIGHTEEN

CURRENCY, WIRELESS AND MINING ENTERPRISE

The currency of China used to be bimetallic, copper and silver, the former serving the purposes of the people's daily life, and the latter representing the standard of exchange for the purposes of wholesale trade. The main features of the currency were fundamentally simple, if its details were maddeningly intricate for foreign residents. The units of the old copper currency were cash, each one perforated with a hole, and strung on cords. These strings of copper cash served as the currency of China since prehistoric times. But large quantities were bought by Japanese and melted down for copper during the European War; and they have in recent years been largely superseded by the modern minted copper cents. The unit of the silver currency was not a coin but a fixed weight, the Chinese ounce of silver, called by the foreigner the *tael*. Silver was generally current in the form of oval ingots, containing approximately fifty Chinese ounces—about four English pounds. The foreign traveller undertaking a journey into the interior carried in his baggage these 'shoes' of Chinese silver, whole or in bits; and when he needed smaller change, repaired to a local bank or cash shop, presented his lump of silver, which was weighed, and received in exchange, according to the local rate, so many strings of cash. One's small change for a shopping expedition, instead of being carried in the trouser pocket, might be a coolie-load. In trading operations goods were bought and sold for the same silver shoes, the values of which in foreign currencies depended on the price of silver in the metal markets

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of the world. China's foreign trade was, therefore, bound up with, and dependent on, the price of silver, of which the world supply comes mainly from Mexico and other parts of North and South America. Gold was not used as currency in China, but was, and is, extensively hoarded in the form of gold leaves, jewellery and dust. And at Shanghai dealings in gold bars for purposes connected with operations in exchange are on a vast scale and play an important part in the machinery of eastern trade.

Contact with western nations introduced the Chinese to foreign silver coins, the 'Carolus' dollars from the Spanish Philippines, which were later on ousted by the 'Eagle' dollars of the United States of Mexico. The Mexican dollar became the minted silver currency of China; until, in the present century, the Chinese started to coin their own silver dollars, of approximately the same weight and fineness as the Mexican. Eventually the Chinese dollars, bearing a variety of devices, heads and superscriptions, all but superseded those from Mexico. Finally, in 1933, the Chinese Government decreed the abolition of the tael and made the silver dollar legal currency.

The dollar remained, however, for the Chinese a silver ingot of convenient shape and size and of a weight and fineness guaranteed by Government. Trade was carried on and taxes paid (until the abolition of the tael) in either taels or dollars, the value of which was in each case that of the silver of which they were composed.

The trouble for the foreigner resident arose, not only from the constant rise and fall in the price of silver in London and New York, but also from the great number of taels and dollars, varying in weight and fineness, which were in use in different parts of China; and from the frightful confusion which grew up in regard to the vagaries in value of the copper cash, copper cent coins, and subsidiary ten- and twenty-cent pieces of debased silver, which were minted and circulated in the various provinces. For long years 'currency reform' was one of the standard, but unfulfilled, demands pressed

Currency, Wireless and Mining Enterprise

by the Powers on successive Chinese Governments in the days of foreign tutelage. Nothing resulted; until, after the establishment of the Nationalist régime in 1928, the Nanking Government, amongst their other measures of reorganization and reform, took the matter of the currency seriously in hand. Their first step was to invite, in 1929, a commission of American experts to investigate the varied problems of the currency and submit recommendations for its reform. The American financial pundits produced in due course their report, advising that China should adopt the gold standard for her currency. Unfortunately the ink on this report was scarcely dry before the two financial giants of the western world, Great Britain and America, themselves abandoned gold for managed paper currencies.

The Chinese have understood the use of paper currencies for a thousand years or more. Government notes of the Ming Dynasty for a thousand cash, equal in those days to one tael of silver, are from time to time unearthed. The use of paper notes was reintroduced by foreign banks in modern times. Each foreign bank issued its own notes under the sanction of its own national authorities. The Chinese banks, private and governmental, followed suit; so that a great variety of dollar notes came into current use. Political instability in China, combined with the lack of uniformity amongst the foreign banks, which were immune under the extritorial régime from China's currency and banking laws, led to a state of chaos in the banknote issue. Yet, with a few unfortunate exceptions, the value of the notes of Chinese and foreign banks was generally well maintained; and the haphazard system worked somehow or other tolerably well.

Variations in the price of silver led to constant ups and downs in the exchange value of China's silver currency. For many years the foreign resident learned to regard as normal a rate of ten Chinese dollars to the pound. After the war there was a sudden rise in silver; and at one moment in 1920 the rate rose to nearly three Chinese dollars to the pound. The foreigner who drew his pay in Chinese currency found

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that his salary was trebled; and the unfortunate British Civil Servant who was paid in sterling suffered in inverted ratio. Later on silver relapsed to approximately pre-war levels; until, at the time of the world-wide economic crisis at the end of 1929, the price slumped with that of other world commodities. The effect on the financial position of the Chinese Government was disastrous; since they were dependent on their silver Customs revenues for the payment of their foreign debts in gold. To meet this situation a new currency was created solely for the purpose of levying the import duties, which, after 1929, were collected in 'Customs gold units', a special Customs currency based on gold.

A few years later the price of silver played a new trick on the internal economy of China, which was upset by a sudden rise in silver values, due to extensive purchases by the United States. The gold standard had been successively abandoned by all the great countries of the world. It was left to China to initiate a new departure by abandoning her silver standard. The bare suggestion of so revolutionary a measure was greeted by financial interests with disapproval and mistrust; and it seemed indeed utterly impossible in a country so vast and loosely organized as China by a stroke of the pen to divorce the national currency from silver. Yet the reform was proceeded with and carried through. In November of 1935 the Chinese Government decreed the abandonment of the silver standard, the creation of a managed paper dollar currency, and the nationalization of all silver stocks in China. The foreign banks, with the exception of the Japanese, co-operated loyally in these remarkable reforms; which, to the general surprise, worked on the whole successfully. The notes of the official Chinese banks became overnight the legal currency; and the exchange value of the new paper dollar was stabilized at a sterling rate of one and two. Even after the Japanese invasion this rate was for some months relatively well maintained. But by the early summer of 1938 the strain of war and the manipulations of the Japanese were causing it to sag.

The story of the Chinese wireless controversy is only of interest as an illustration of the evils of foreign tutelage and international competition in the affairs of China. In the post-war scramble for new concessions, rights and interest in what was then a decaying and disintegrating China the possibilities of financial profit and strategic advantage in the control of China's wireless communications attracted the interests, financial and governmental, of the leading Powers. The result was an acute clash of interest between Britain, Japan and the United States.

The British interests concerned were represented by the British Marconi Company and the Eastern Extension Telegraph Company. The Marconi Company had concluded in 1919 an agreement with the Chinese Government for the formation of a concern styled the China National Wireless Company, which was granted a monopoly of the supply of wireless equipment to the Chinese Government. The Eastern Extension Telegraph Company, in partnership with the Danish Great Northern Telegraph Company, had longstanding agreements for the operation of China's cable and overland telegraphic communications with the outside world.¹ Under these agreements, which were, however, due to expire in 1930, the foreign companies enjoyed a monopoly, with certain exceptions, of China's telegraphic communications with the outside world. These monopolistic rights had been granted long before wireless telegraphy was ever thought of; but the agreements were so worded as to make it possible to argue that they covered also wireless rights. As the agreements in any case ran out in 1930, the

¹ The British Eastern Extension Telegraph Company land their cables from Europe on the China coast, while the Danish Great Northern Telegraph Company own and operate the land lines from Europe to China across Russia and Mongolia.

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foreign companies sought to maintain their monopoly as a lever with which to secure in good time a renewal of their agreements on favourable terms.

During the régime of the pro-Japanese *Anfu* Government in Peking in 1919 the Japanese Mitsui Company had secured a contract for the erection and operation of a huge wireless station near Peking. A year or two later at the time of the pro-American reaction in China which followed the collapse of the Japanese-controlled *Anfu* Government, the American Federal Telegraph Company secured a contract for the establishment of another huge wireless station at Shanghai for communication with America. The Japanese and American contracts were incompatible with one another; and both violated the monopolistic rights of the British Cable and Marconi Companies.

An acrimonious diplomatic wrangle between Britain, Japan and the United States set in; while the Chinese Government stood with bemused indifference aside, dodging the shower of protests circulating amongst the protagonists of the three-cornered argument. The British Government, feeling somewhat uncomfortable at having to support the monopolistically tainted rights of the British companies concerned, sought strenuously to compose the differences of the conflicting interests. The Japanese were cynically indifferent to all considerations beyond their immediate objective—to secure for political and strategic purposes a powerful wireless establishment in China under Japanese control; while the Americans adopted their customary attitude of high-minded idealism in opposition alike to the monopolistic interests of Britain and the strategic objectives of Japan, with, at the same time, a shrewd appreciation of the material advantages at stake.

At the Washington Conference a solution was sought along the lines of a consortium of foreign wireless interests, which would combine to develop and control the overseas wireless communications of the Chinese Government, who would have been saddled with several expensive wireless stations

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each worked in nominal co-operation by the national interests concerned. But the spirit of nationalism was already working even in the decaying Peking Government, and the Chinese would have no truck with a consortium in the wireless, any more than in the financial, field. In any case the conflict of interest between Japan and the United States was too acute; each seeking to secure an independent wireless establishment in China against the eventualities of war.

The controversy drifted on for years at the cost of an enormous effusion of paper protests, negotiation, and comings and goings of experts and special representatives of the Governments concerned. But nothing resulted; until, after the establishment of the National Government in 1928, the Chinese gradually shook themselves free of the whole imbroglio. The rights of the Cable Companies having expired in 1930, new agreements on a purely business basis were concluded later on. The Japanese Mitsui station near Peking remained inoperative and sterilized. China became dotted in due course with wireless stations under Chinese Government control. The Chinese built at Shanghai their own powerful wireless establishment for communication overseas. And the whole unpleasant controversy, and the acute conflict of interest between Britain, Japan and the United States, came automatically to an end. That is the story of wireless development in China down to the time of the Japanese invasion in 1937.

3

Belief in the existence of vast mineral deposits was one of the lures which in the early days attracted foreign interests seeking to exploit the natural resources of the Chinese Empire. But, in the light of the more complete knowledge of to-day, the mineral wealth of China seems much less exciting than was at one time thought to be the case. The chief item

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is coal, of which there is abundance, especially in the northern provinces; and there are also in the Yangtze Valley extensive iron deposits which have long aroused the particular attention of the Japanese. The mines of Hunan are the largest antimony producers in the world. Tungsten is exported from Kwangtung, Kiangsi and Hunan. There are valuable tin mines at Kochiu in Yunnan. Gold mines are worked, not very profitably, in Manchuria; and gold dust is washed out of the rivers flowing down from the mountains of Central Asia and Tibet, though in quantities so small as to be only workable by the industrious Chinese. Mineral oil is found in several districts in the north-western provinces, notably in Shensi, Kansu, Szechuan and Turkistan; but the deposits have so far proved too scanty and inaccessible to be worth exploiting.¹ Deposits of copper ore exist, but there is no copper mining industry worth speaking of. That concludes the list of China's known mineral resources. No silver, on which the Chinese used to be dependent for their currency, is mined in China.

In the early days, when the European Powers were seeking to carve China into spheres of influence, monopolies of mining rights in their respective areas were amongst the demands made upon China by the interested foreign Governments. In 1898 foreign concession-hunters were buzzing like flies round the decrepit Peking Government. The British bag of mining concessions, all dating from those days, included the Little and Pritchard-Morgan concessions in West China, the Lister-Kaye iron mines in Anhui, the Anglo-French Yunnan Syndicate's concession in Yunnan and the Peking Syndicate's coal-mining concessions in Shansi and Honan. The scope of some of these concessions was enormous, embracing rights over the exploitation of the mineral resources of areas as large as European countries; others were more limited in size; and others were so vaguely

¹ In 1915 the American Standard Oil Company bored for oil in Shensi but without result; there is a small local production from a few Chinese wells.

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worded as to give rise to endless controversy and argument in regard to what they really meant. The subsequent history of most of these mining enterprises was in each case much the same. The concessions had been granted, under pressure, by the Chinese Government, but without regard to the attitude of the authorities and people of the locality concerned. Moreover, between the time of the granting of the rights in 1898 and the time when in the years after 1900 attempts were made to develop the concessions, the Chinese and their Government had begun to realize how the nation's assets and resources had been bartered to the foreigner. The result was that when the foreign owners started to work their mining properties, which were generally situated in the far interior, they met with every kind of opposition and obstruction from local authorities and local vested interests.

Years of conflict and diplomatic controversy on the subject of these mining rights ensued, terminating in most cases with the redemption of the concessions by the Chinese Government. The proceedings reflected little credit on any one concerned. The Chinese Government paid large sums to buy back mining rights which they had signed away.¹ The foreign capitalists may or may not really have believed that their investments were sound and remunerative enterprises; but when they found it impossible to work the concessions which they had obtained, they naturally turned to their authorities demanding compensation from the Chinese Government. The latter met the pressure of the foreigner with every device of evasion and prevarication; and, when finally compelled to pay, sought to extract the necessary funds from the authorities and people of the provinces concerned. Mining concessions became in this way a thorn in the flesh of China's body politic and a source of irritation in her diplomatic intercourse with foreign Governments.

¹ The Chinese Government paid 2,700,000 *taels* (about £400,000) to buy back the Peking Syndicate's Shansi concession; 1,500,000 *taels* for the Yunnan Syndicate's concession; 200,000 *taels* for Mr. Little's Szechuan concession; and £52,000 for the Lister-Kaye concession.

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Two notable mining concerns, both British, survived these unfortunate beginnings because they were able to evolve a new *modus operandi* based on co-operation with Chinese interests. These two survivors were the Chinese Engineering and Mining Company and the Peking Syndicate as regards its Honan mines.

The early history of the Chinese Engineering and Mining Company's coal mines, situated in the Kaiping coal basin between Tientsin and the sea, was obscured by a haze of financial intrigue and international manoeuvre. The mines were originally opened and worked for many years by a Chinese company, in which a British firm of financiers were also interested. This concern existed, subject to various vicissitudes of fortune, down to the time of the disturbances of 1900. In 1901 the properties and rights of the Kaiping mines were transferred by their Chinese owners (in order to save them from the Russians who were at this time pressing into North China from Manchuria) to a foreign Syndicate. The new concern, the Chinese Engineering and Mining Company, was registered in London, but included Belgium and other continental interests. The chief engineer of the Kaiping mines was at this time Mr. Hoover, later President of the United States.

After the Russian danger had passed with a settlement of the Boxer troubles, the Chinese sought to upset the transfer to foreign interests; and disputes, obstruction and prolonged litigation concerning the rights of the company ensued. The controversy continued for years, and, as a move in the game, a rival Chinese concern, the Lanchow Mining Company, started operations with Chinese official encouragement in the Kaiping area. Finally the dispute was brought to a close by the amalgamation in 1912 of the Chinese Engineering and Mining Company with the competing Chinese mines.

The new concern, styled the Kailan Mining Administration, has since grown up into one of the largest mining

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concerns on the continent of Asia. The mines are favourably situated on a main railway line and near the sea; and the administration owns the port of Chinwangtao for the export of its coal. Many and varied difficulties have had to be overcome, connected with the vagaries of Chinese Governments, Chinese civil wars and the conflict between China and Japan. But, under efficient British management, the concern has prospered and proved an outstanding example of successful co-operation between Chinese and foreign interests in Chinese mining enterprise. The mines produce annually over five million tons of coal, which is distributed all over northern China and is in demand for coking purposes in Japan. The growth of Chinese nationalism and the establishment in 1928 of the Kuomintang Government in Nanking introduced fresh difficulties and problems for the K.M.A., which, enjoying the support of His Majesty's Legation, had hitherto been able to function as a foreign concern under the protection of extraterritoriality. These difficulties were later on adjusted by the revision of the amalgamation arrangements in favour of increased Chinese Government control and the conclusion in 1934 of a new agreement under which the British and Chinese companies, while retaining their separate national entities, pooled their properties and profits, and conducted their joint activities through the Kailan Mining Administration under the Chinese mining laws. Three years later, however, the area passed under Japanese control.

Amongst the Peking concession-hunters who carried off a prize in 1898 was a M. Luzatti, an Italian, who by some means or other obtained concessions covering the exclusive rights of exploitation, for a period of sixty years, of the mineral resources of large areas in Shansi and Honan. A British company, the Peking Syndicate, embracing British, French and Belgian capital, was formed in London for the exploitation of M. Luzatti's concessionary rights.

The coal-fields of Shansi and Honan covered by the original

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concessions of the Peking Syndicate are amongst the richest coal-producing regions in the world. They had been examined as early as 1870 by the German geologist, Baron von Richthofen, who, in his delightfully written book of Letters (addressed in the form of reports to the foreign Chamber of Commerce at Shanghai) gave an account of the vast stores of finest anthracite waiting to be mined. No doubt it was the picture painted in the reports of Baron Richthofen which attracted the attention of the foreign concession-hunter and mining engineer. Unfortunately the Baron could not foresee the political and economic difficulties, caused by the geographical situation of the area, which were to militate so heavily against the attempts at its development.

The operations of the Peking Syndicate were interrupted by the disturbances of 1900; and, when they were resumed, met with the same opposition and obstruction as were encountered by the other foreign mining enterprises. The Shansi concession had to be abandoned and was finally redeemed by the Chinese Government in 1908. In Honan mining operations were started and carried on for years in the face of almost continuous conflict with the local Chinese authorities and local Chinese vested interests. As in the case of the Kaiping mines, a rival Chinese mining company, supported by the authorities of the locality, was operated in the neighbourhood with the object of competing with and strangling the foreign enterprise. In 1915, following the example of the Chinese Engineering and Mining Company, the Syndicate concluded a new agreement for the amalgamation of their interests with those of the competing Chinese company.

After the amalgamation the outlook for the joint concern, the Fuchung Corporation, seemed likely to improve. But, as the Chinese Republic sank into anarchy, brigandage and civil war, the troubles of the Peking Syndicate became worse than they had ever been before. The north-western corner of Honan, where the mines were situated, was one of the most bandit-ridden and lawless neighbourhoods of northern China, and the Honan and Peking-Hankow Railways, on which

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the Syndicate depended for the transport of its coal, were constantly interrupted by brigandage and civil wars. The situation, going from bad to worse, came finally to a head at the time of the red anti-British interlude of 1927, when the mines had to be abandoned for a period. At this time it seemed that the whole enterprise, representing a capital expenditure of millions, was likely to become completely derelict. But, when things had settled down with the establishment of the Nanking Government, the directors of the Peking Syndicate, continuing their gallant fight against adversity, made a renewed attempt to reorganize the company's affairs. They were ultimately successful in getting on terms with the Nationalist régime and concluded a new agreement, placing the operations of the Syndicate, like those of the Kailan Mining Company, more directly under Chinese Government control. The Syndicate had also in the working of their mines to cope with natural troubles connected with underground flooding from the Yellow River. These various difficulties and obstacles were in course of being overcome, and it seemed that the enterprise might at long last prosper after all, when it was overwhelmed by the course of the Sino-Japanese hostilities.

Although prevented by political troubles and natural misfortunes from paying dividends on its mining properties,¹ the Peking Syndicate had other irons in the fire, and, through the ramification of its international finance, came to play a considerable part in the history of financial enterprise in China. The original concession included rights to build roads and railways; and the Syndicate constructed the Taoching Railway, connecting the mines with the Peking-Hankow line, which was later on taken over by the Chinese Government by means of the Honan Railway Loan floated in 1914. The Syndicate, on account of its far-reaching paper railway rights, also became a partner in Chinese Central Railways Limited, at one time the official British railway group; and was later on associated with the chequered

¹ The first dividend was paid in 1937.

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fortunes of the Banque Industrielle, the French bank which rose and fell during the years immediately before and following the war.

The American effort in Chinese mining enterprise has been limited to the oil experiment, when in 1913 the Standard Oil Company made an agreement with the Chinese Government to bore for oil in Shensi and other likely areas in the north and west. The work was carried out in 1915, but no oil was found, or none in sufficient quantities to merit development on modern lines. German mining interests were eliminated following the European War. Apart, therefore, from the British undertakings and their continental interests, only the Japanese are still actively concerned in Chinese mining enterprise.

The Japanese, being without adequate mineral resources of their own, have since the rise of their heavy industries been particularly interested in China's stores of coal and iron. The course of events played in this, as in other respects, into their hands. Starting at the beginning of the century with nothing in the way of Chinese mining rights, they acquired in due course the Russian properties in South Manchuria and the German mines in the provinces of Shantung, the former including the famous Fushun mines, one of the richest and most easily worked deposits of bituminous coal to be found in all the world. The Japanese were also able, by means of loans and mortgages, to secure a large measure of control over the iron resources of the Yangtze Valley, including the Han-yeh-p'ing iron and steel plant, China's only and very inadequate attempt to found a centre of Chinese heavy industry.¹ But the Japanese were more concerned with securing adequate quantities of Chinese iron ore for export to Japan than with fostering the production

¹ The Han-yeh-p'ing plant was established at Hanyang, adjoining Hankow, by the Viceroy Chang Chih-tung in the years before 1900; the iron ore coming from the Ta-yeh mines in Hupei and the coking coal from the P'ing-hsiang mines on the Kiangsi-Hunan border.

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of iron and steel in China; and the Han-yeh-p'ing smelting works have long been practically derelict.

For more than two thousand years the Chinese have mined and burned coal, which, except on the alluvial plains, is almost everywhere available. The hill-sides in the coal-producing districts are dotted with the mouths of native pits, resembling human rabbit-holes, down which the miner crawls to fetch his basketful of coal. In places in the eroded gorges of the loess country lumps of coal are to be seen projecting from the cliff. At the pit mouth coal is retailed at prices which rendered into foreign currency are ridiculously cheap, the equivalent, perhaps, of one or two shillings for a ton. All that is needed, seemingly, to establish a big mining industry is a near-by market of sufficient size, or adequate means of cheap and easy transport to the coast. Unfortunately both are lacking in the case of the great fields of anthracite in Shansi and Honan.

The appearance of the foreigner claiming monopolistic rights over large areas, sinking his shafts and operating vast machines, upset the native coal-mining economy and roused a hornets' nest of opposition from native mine owners and operators. Conflict arose also with the theories of *Feng Shui*, the Chinese 'Wind and Water' science concerned with the mysterious application of the principles of *Yin* and *Yang*, the male and female, active and passive, elements in nature, which, in the Chinese philosophy of life, lie at the roots of everything.

But gradually there grew up a new Chinese generation versed in western scientific learning and the latest teachings of geology and metallurgy. The Geological Survey of China, directed by Chinese geologists of worldwide reputation, examined the mineral deposits and tabulated the mineral resources of the provinces. The old prejudices tended to die away. But in their place remained the national resentment against the exploitation of the country's mineral resources for the benefit and profit of the foreigner. Foreign mining

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enterprises were amalgamated with, or taken over by, up-to-date Chinese mining companies. The Chinese now own and operate perhaps twenty to thirty modern collieries. Yet that mysterious something, energy, creative force, or backbone, which the European and American and Japanese possess, is lacking in the Chinese managements. Unless the Japanese succeed in closing China's Open Door, there will in the future still be opportunities for foreign organization, capital and engineering skill in the mining industry of China. But it will have to be on a basis of co-operation, mutual advantage and equality.

CHAPTER NINETEEN

THE FOREIGNER IN CHINA

Journeying east by P. & O., and passing by Port Said and Suez, Aden and Bombay, Colombo, Penang and Singapore, the traveller comes finally to rest in Shanghai and the China treaty ports, and finds that he has travelled so far eastwards round the world that he has left many of the time-honoured attributes of eastern life behind. Villas and modern flats with up-to-date conveniences replace the primitive bungalows of India, Malaya and Ceylon. Leaving the steamy heat of Singapore, the traveller will reach Shanghai to find in winter time a climate as cold and dismal as that of the United Kingdom. North China is colder still, offering a White Man's climate for ten months out of the twelve; so that families of foreigners live there year after year, and even generation after generation, without the constant urge to rush off home on leave. Noticeable also is the absence of class formality amongst the British treaty-port communities; groups of hard-headed, independent business men, free from the complexes and class distinctions of officialdom so characteristic of Anglo-India and the eastern colonies.

The main division of society amongst the British residents in China is not between official and non-official classes, but between the missionaries and the rest. Amongst the latter all stand on a footing of equality, including the majority, composed of professional and business men, and the small minority of Service representatives, naval and military, diplomatic, consular and Chinese Government (Customs, Posts and Salt). If there is any precedence amongst the business

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men, the lead is taken by the local agent (as they call the manager) of the Hongkong and Shanghai Bank, whose duties are not so much to keep the overdrafts of the other members of the treaty-port community (functions which are delegated to the supervision of his underlings and Chinese clerks who do the work), but to finance the trade of the locality and make the bank's profits out of business in exchange. After the bank manager come the local *Taipans* (partners or managers) of Jardines, and Butterfield and Swire, the A.P.C. and B.A.T. and I.C.I., and, in Shanghai, a host of local firms. The lawyers are concentrated almost entirely in Shanghai, thriving, though less nowadays than formerly, on the intricacies of extraterritoriality. Shanghai also supports prosperous brokers in exchange, who spend their business days racing from bank to bank, dealers in land and real estate, architects, accountants, shipping and travel agencies, doctors, journalists and engineers. And nearly all are, or seem to be, of British nationality.

Life for the foreign treaty-port communities is intellectually cramped and narrow, but materially easy and agreeable. The Chinese are the best servants in the world. Native food supplies are abundant, cheap and very good. The shooting, for those who have the opportunity to wander far enough afield, is still the best to be had in any unpreserved region in the world. The pheasant is extraordinarily abundant in the mountains of the north-western provinces and reed-beds and coppices of Central China; the spring and autumn snipe come in their thousands; and clouds of duck darken the sky at flighting time along the Yangtze river. And shooting rights are free to all. The 'China pony', imported from Mongolia, affords opportunities for racing and polo at a fraction of the cost of the same sports in India, England and America; and games of all kinds are catered for by well-run clubs.

In the old days business was easy and many fortunes were accumulated. Details were attended to by the Chinese comprador, who, through his native connexions in the

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far interior, brought import and export business to the foreign merchant seated in his office at the treaty port. The backbone of the British import trade used to be cotton piece-goods, because cotton was, as it still remains, the basic element in the simple wardrobes of four hundred million Chinese customers; while in the north an easy and profitable trade was carried on by exporting Mongolian sheep and camel wool from Tientsin to the United States. But nowadays all this is changed. Cheap cotton cloth is manufactured in Indian, Japanese and Chinese mills, and political difficulties and falling prices in America threaten to strangle the once profitable export of Mongolian wool. Instead of selling to the Chinese the products of their factories, the foreign manufacturers nowadays supply the requisite machinery to make the goods the Chinese people use. Trade grows, but flows in new channels and directions; competition is ever more severe; and the smaller foreign firms tend to be ousted by the big combines and more direct relations between foreign manufacturers and Chinese purchasers.

Dissatisfaction with the local policies of the British Government has always been a characteristic of the British treaty-port communities. The weakness and impotence of British policy in China were denounced by British residents in the days when the Chinese were being browbeaten and bullied by the British and other European Governments. And in more recent times, when Chinese nationalism launched its attack against foreign treaty rights and privileges and the British Government declared themselves in favour of the revision of the treaties, the British community in China clamoured with indignation against this betrayal of their vital interests; being apparently unable or unwilling to take a longer view and see that in the last resort Chinese goodwill was more valuable to British trade and industry than local treaty rights and special privileges. Yet in this storm of agitation and abuse two points in due course emerged: the soundness in the long run of the views and policies of the British Foreign Office; and the ultimate good

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sense and loyalty of the British residents. These points were well illustrated in the Hankow affair of 1927, when the British community clamoured against the surrender of their concession area and yet proceeded later on to make an outstanding success of the joint Anglo-Chinese administration by which it was replaced. No doubt the same good sense and loyalty will show themselves in the case of the more difficult and far-reaching adjustments still to come.

Life in the Diplomatic Quarter in Peking was different and singularly aloof from existence in the treaty ports; with a character which was indeed as attractive as it was unique. The staffs of a round dozen Diplomatic Missions and Legation Guards, the foreign banking Agencies and the foreign Inspectorates of the Chinese Customs, Posts and Salt Administrations, worked and played together in a pleasantly secluded atmosphere. Social activities, tennis, riding, racing, polo, picnics and excursions in the western hills, offered the necessary recreation from the labours of diplomacy which were generally none too arduous. To the majority of the small community the Chinese hardly existed, save as a background affording material for academic study and the collection of Chinese *objets d'art*. Each summer for a month or two there was an exodus to the sea-side bungalows at Peitaiho; with a general return in time for the autumn racing season, followed by the winter riding season and skating at the Peking Club. The treaty ports regarded Peking with a mixture of awe and tolerant amusement. On the one hand the Diplomatic Body were recognized to be the shield of foreign treaty rights and interests; but on the other, the Legation Quarter and all it represented were, from Shanghai's point of view, hopelessly out of touch with the realities of business life.

The decay of Peking as a diplomatic centre coincided with the decline and fall of the Peking Government of the Republic. In the years after the war the Chinese Government, challenged on all sides by rival war-lords, became a mockery and a delusion for the foreign diplomats. The Kuomintang,

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finally triumphant in 1928, removed the seat of government, proclaiming Nanking to be the capital of Nationalist China. Peking, renamed Peiping, became reduced to the rank of a provincial city. The Diplomatic Body, formerly all-powerful in the affairs of China, were now left stranded in an empty capital, embracing the shadow of a Government no longer there. Yet for a few more years the diplomats clung to their spacious and dignified establishments in the Legation Quarter; for the good reason that there was no adequate accommodation for them in the south. At last a gradual migration started, first to Shanghai, and then to temporary buildings in Nanking. By the time the Japanese Army occupied Peking in 1937 the old capital was but the empty shell of its former diplomatic past. In 1938 the Japanese, seeking to set back the clock, and preferring a Chinese capital under the shadow of their arms, resurrected in Peking a puppet Chinese Government.

Whatever the future of Peking may be, no city in the whole of Asia can compare with the mellow beauty of the palaces and walls and city gates of China's ancient capital, set in an amphitheatre of hills which guard the passes to Mongolia. In spite of dust and dirt and smells, Peking bears unmistakably the stamp of one of the great cities of the world and carries some indescribable attraction, which holds the visitor's attention and grows on him the longer he remains.

In each of the larger treaty ports there is a British Consulate, with Consul, or Consul-General, and staff. The British Consul is the official shepherd of the flock of British residents, with functions and responsibilities more onerous than they would be in a more normal country, including, under the extritorial régime, those of a magistrate and local judge. He is provided with an official residence, usually amongst the oldest but best-situated buildings in the port; instead of, as in most other countries, an obscure office in the business or shipping quarter of the town. In Shanghai the British Consulate is a large establishment embracing a central block

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of court and office buildings, a mansion for the Consul-General, and smaller residences for the members of his staff. The land alone, situated on the Bund in the centre of the town, must be worth millions of dollars to the British Government.

The British Consular Service in China has a long and honourable history, dating from the middle of the nineteenth century, and has produced distinguished diplomats, sinologues and travellers. Its members are amongst the small minority of the non-missionary community who learn to speak and read and write Chinese. It is true that, after two years' concentrated study of the language in Peking, the budding Consul merely knows enough Chinese to realize how much there is to learn. But even this amount of knowledge singles him out amongst his fellow-countrymen and enables him to get a better understanding of the Chinese and their ways and character. A consular career in China means a lifelong exile in the East.¹ But, on the other hand, something is usually happening in China, with opportunities which other branches of the service are not so likely to afford; and life is generally cast on pleasant lines, and sports and pastimes are cheap and readily available. The Student-Interpreter starts on a salary of three hundred pounds a year. Two years later he graduates as a Vice-Consul and receives increments of pay; and he can hope in fifteen years to reach the grade of Consul with pay and allowances of ten to twelve hundred pounds a year. The highest rank to which he can normally aspire is that of Consul-General, carrying maximum emoluments of close on two thousand pounds a year.² He

¹ The China branch has recently been amalgamated with the General Consular Service; so that a young man sent out to Peking as Student Interpreter, or Probationer Vice-Consul, as he is now styled, can theoretically be sent to serve in other parts of the world. But, as he spends his first two years learning Chinese at Government expense, it is obviously intended, unless he proves unsuitable, that he should pass his service life in China.

² A few Consuls-General are promoted to the rank of Minister and thus pass from the Consular into the Diplomatic Service. Sir Ernest Satow and Sir John Jordan both rose from the Consular Service to be British Ministers in China.

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is provided with a good residence, local hot-weather leave, furlough of a clear six months in England each three years, and passage money for himself and family. He spends his service either in routine consular appointments at the treaty ports, at frontier posts such as Tengyueh or Kashgar, on special service, or at head-quarters in the Chinese Secretariat of the Legation, which is nowadays an Embassy.

Under the British system the Consular and Diplomatic Services are still kept separate, and the Legation, or Embassy, is theoretically staffed with diplomats. But the latter are considered to require expert assistance in the transaction of diplomatic business with the mysterious Chinese. The Consular Service furnish accordingly a 'Chinese Secretary' and Secretariat, charged with the correspondence and relations of the Diplomatic Mission with the Chinese Government. The result of this system for generations past has been that the Chinese Secretary, originally intended to be a sort of Chief Dragoman or Arch-Interpreter, became the principal adviser to Ambassador or Minister and the focal point of his establishment. In things Chinese the lead was usually given by the British; and the same system was adopted in the other foreign Embassies, in each of which there used to lurk a Chinese Secretary, who was invariably the hidden power behind the diplomatic throne. Nowadays, when it is more apparent that the affairs of China are not after all so great a mystery, and when the Chinese Foreign Office and its occupants are as well versed in foreign languages and diplomatic practice as those of other countries, the Chinese Secretary is no longer so essential and could very well be merged in the rest of the diplomatic staff.

The question of the continued separation of the Consular and Diplomatic Services (which in most other countries are nowadays amalgamated into one Foreign Service), is a thorny and contentious one; especially in a country such as China, where the work of the Consuls is often as much diplomatic as consular in character. In theory there is everything to be said in favour of amalgamation. But in practice the

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point is still an open one. Candidates for the Diplomatic, Consular and Home and Indian Civil Services take the same annual competitive examination, entering for the particular service or services to which they may aspire. If, as is usually the case, they enter for two or more services, those that pass highest on the list receive their choice. The responsibilities of the staff of a British Diplomatic Mission are, or may be, so important that it is nowadays more than ever in the nation's interest to recruit the Diplomatic Service only from the best material; and at the present time the service is so popular with boys and parents, and the competition, which is practically open, so severe, that only the young men of first-class brains and education have any chance of passing in. Competition for the Consular Service is also much greater than it used to be. Most of the young men who obtain consular appointments are candidates who tried but failed to pass into the Diplomatic Service. The result of this system is to maintain a high standard for both diplomatic and consular appointments, but a definitely higher standard for the former than the latter. Were the two services amalgamated, the average standard for the joint service would inevitably be reduced. This, apart from administrative difficulties inherent in any new departure; is the only argument against the amalgamation of the Consular and Diplomatic Services.

Since the war a new hybrid foreign service officer has been evolved by the departments in Whitehall. The Foreign Office and the Board of Trade were mated to produce the D.O.T.,¹ which supervises the activities of the Commercial Diplomatic Service, whose hardworking officers relieve Consuls and diplomats of some of their more commercial functions. The D.O.T. do very useful work in the collection and distribution of commercial and industrial intelligence and in exploring all avenues for the promotion and encouragement of British trade in foreign lands; though its critics may aver that no Government department can teach the British merchant how to trade.

¹ Department of Overseas Trade.

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No doubt the Commercial Diplomatic Service and the D.O.T. serve useful purposes. But they are symptomatic of the extraordinary growth of officialdom in all branches of the public service. The staff of the Peking Legation, with its secretaries, attachés, cipher clerks, typists and archivists, has grown in five-and-twenty years to twice or thrice its former size. More men and women write and type dispatches and reports, more copies are distributed, more read and take, often unnecessary, action on what the other men have written, creating more work and the necessity of bigger staffs to deal with it. Official life is like a monstrous snowball, which, rolling down a slope, gathers by its own momentum size and weight.

China has been the scene of the greatest missionary effort in the world; which is not surprising, seeing that there are more than four hundred millions of Chinese available to be converted to the Christian faith. The Catholics have been at work for centuries; the Protestants for a round hundred years. In the result there are to-day two to three million Chinese Catholics and half a million Chinese Protestants. Islam, on the other hand, unaided by foreign missionary funds and Governments, can claim fifteen to twenty million Chinese Mohammedan adherents. And Chinese Moslems are more determined and more zealous upholders of their faith than Chinese Christians. The explanation for this is that Islam, though originally introduced from foreign lands, is firmly rooted as a Chinese native faith; and has become in the course of centuries suitably adapted to the Chinese character. It is only by being similarly naturalized as a true Chinese religion, and dropping its foreign dress and outward forms, that Christianity can hope to meet with a similar measure of success.

The Chinese offer at first sight a favourable and fertile field for missionary enterprise. For they are only nominally Buddhists and are by nature pacific, tolerant and without religious prejudices. But in reality China has proved a

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tough nut for western Christianity to crack. Steeped in the sterile ethics of Confucianist philosophy, the outlook of the Chinese is rational, irreligious and essentially material. Moreover the vast majority are too preoccupied with daily toil to give much thought to questions of religion. And such religious feelings as they have are deeply rooted in the worship of their ancestors. The result has been that those Chinese who have adopted Christianity have in many cases done so for material reasons and on account of temporary circumstances; and their conversion has not always stood the strain of the break which it must necessarily involve with the immemorial traditions of their upbringing and family surroundings.

There are some thousands of Protestant missionaries at work in China, of whom ninety per cent are British and American. Before the European War the job of the missionaries was relatively simple. In those days the Chinese still regarded the foreigner as something between a devil and superman, to be treated in any case with caution and respect. The missionary, unless he was rioted, and, if unlucky, murdered in one of the periodic waves of anti-foreign frenzy, could generally count on being treated like a superior being from another world. Moreover, whether or not he chose consciously to capitalize his nationality, he lived and worked under the protection of extraterritoriality and the shadow of the Consuls and gunboats of Britain and America.

But the position was altered by the European War, which dealt a shattering blow to the prestige in the Far East of White Man and missionary. The Chinese nationalist revival, and its alliance with the Russian Communists, made matters worse. The anti-foreign agitation, which lasted from 1925 to 1927, manifested itself in the interior, as in 1900, as a violently anti-Christian movement. The missionaries paid for their unfortunate association with the Unequal Treaties and the former gunboat policies of foreign Governments. The student agitator, intoxicated with the new Communist ideologies from Russia, hurled his invective against the foreign Imperialists and their running-dogs and

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instruments and agents. The Governments of Britain and America, clearing the decks against eventualities, evacuated most of the missionaries from the interior. The Christian Church in China had received a blow which might, it seemed, turn out to be a mortal one.

The Chinese, however, reacted in due course against the Communists, sanity returned and normal relations with the foreign Governments were gradually restored. The missionaries drifted back, and resumed their preaching, teaching and medical activities. The new National Government, once they had settled down, showed themselves by no means hostile to Christianity. Several of their leaders, including General Chiang Kai-shek himself, had come under the influence of Christian teachings. A new era opened for the missionaries. Their position was an altered one, and one made in some respects more difficult; but it was built on surer foundations than before. The conflict between Christian activities and Chinese nationalism had been adjusted by the surrender of the independence of the foreign missions, whose churches, schools and hospitals shed much of their extraterritorial protection and passed more directly under Chinese Government control. The missionaries had learned their lesson: to subordinate the foreign aspect of their activities and to seek to make the Christian Church in China more of a Chinese and less of a western institution. And they came increasingly to realize the importance of dissociating themselves and their affairs as far as possible from the intervention of their Governments. Should the missionary present a 'claim', to be pressed through consular or diplomatic channels, if his home or church or school is rioted or robbed? The answer, which used formerly to be affirmative, is nowadays more likely to be negative.

The Catholics were at work in China long before the days of the Unequal Treaties. And Jesuit priests, famous in the realms of science, art and literature, represented the Catholic Church at the Courts of the early Manchu Emperors.

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When the British and French Governments forced open the closed doors of the decaying Chinese Empire, the Catholics did not hesitate to take advantage of the new arrangements, laid down in the treaties of the nineteenth century, governing the intercourse of foreigners with the Chinese and their Government. France was in those days the recognized protector of the Catholic Church in China; and it was on clauses in the French treaties that the Catholics based their special privileges, rights and interests.

But the Vatican authorities foresaw the trend of developments in modern China, and took in good time the necessary measures to modernize their relations with the Chinese Government. In 1922 an Apostolic Delegate was first appointed to represent the interests of the Vatican and the Church in China, thus divorcing its affairs from the protection of any foreign Government. Later on several Chinese bishops were consecrated and other steps were taken to emphasize the independence from foreign influence of the Chinese Catholic Church.

The Catholic priests, Frenchmen, Italians, Spaniards, Germans, Belgians, Dutch and Irish, have been more successful than the Protestant missionaries of Britain and America in establishing a native Christian Church in China. They enjoy advantages in the unity and organization of their Church compared with the many sects and churches and societies of their Protestant competitors; as well as in their celibacy and greater singleness of purpose. The Protestant missionary, preoccupied with home and household goods and cares and family responsibilities, has to retreat from situations where the unencumbered Catholic remains. The Catholic priest has no occasion to occupy himself with personal affairs, home furloughs, pay and allowances, and children's educations. He needs little beyond enough to feed and clothe himself, and the necessary funds for the upkeep of his Church establishment; and these he often draws from local landed revenues and shrewd investments of the Church in local industry and real estate. The Protestant

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churches, schools and hospitals are still dependent on their home endowments and the contributions of churches and subscribers in Europe and America ; and would rapidly decline and soon collapse if these financial life-lines came to be interrupted. The Catholic Church in China, on the other hand, would in the same circumstances probably survive as an institution capable, more or less, of self-support.

It is not to be expected that the Chinese, with their critical faculties and high intelligence, should readily embrace those creeds and doctrines of western Christianity which they see discarded by so many in Europe and America. And the prospects that China will ever be converted into a Christian country are, to say the least, remote. But the missionaries, Catholic and Protestant, are a noble band, who do an incalculable amount of good with their philanthropic, medical and educational activities and in leavening by their spiritual example the heavy dough of China's matter-of-fact materialism.

Since the revolution of 1911 the Chinese bandit has been the curse of existence for the foreign resident and traveller in the interior of China. In the days of the old Empire the foreigner could come and go through the length and breadth of the eighteen provinces of China proper in greater safety than in most countries of the world. The magistrate of each district was responsible for the safety of the foreign traveller until he had been passed on to the territory of an adjoining district magistrate. The theory of mutual responsibility, on which the administration of the Empire was constructed, worked from the magistrate down to the village headman and up through prefects and intendants to Governors and Viceroys. But after the revolution the collapse of local government and law and order over vast areas produced a situation in which in many districts it was impossible to venture on the roads without the risk of meeting bandits and being robbed or murdered or carried off and held for ransom.

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The kidnapping of propertied Chinese and missionaries and foreign travellers grew in places into an organized and profitable industry. No cases were more embarrassing to the Legations and Consulates of the foreign Governments, who, in the face of public clamour that something effective must be done, were usually quite helpless to accomplish anything. Each case of ransom paid encouraged the kidnapping of other foreigners. The British and American Governments could not themselves send military expeditions into the remote interior for the rescue of their nationals; and to press the Chinese Government to send troops against the brigands meant imperilling the lives of foreign captives who might otherwise be in no immediate danger. The best solution was usually to leave ways and means to the responsible Chinese authorities and to turn a blind eye to the methods which the latter might employ.

The biggest and most embarrassing of these many ransom cases was the Lincheng episode of 1923. In the early morning of a day in May the Blue Express, the Chinese *train de luxe* plying between Shanghai and the capital, was derailed by bandits in the mountains of Shantung; and the foreign passengers, twenty-five in all, were carried off into the near-by hills. The brigands' haul included men and women of British, American, French, Italian, German and Danish nationality, wealthy round-the-world tourists and members of the Shanghai community, bound for Peking on pleasure or on business. For more than a month the foreign captives were held under conditions of great hardship on a mountain-top, while a storm of discussion and negotiation raged between the bandits and the Chinese Government and the foreign diplomatic representatives. In the end the Chinese negotiations were successfully concluded, the bandits enrolled as Chinese regulars or satisfied in other ways, and the foreign captives all released.

The Lincheng episode was in its day a Chinese *cause célèbre* and front-page news in the papers of Europe and America. The Diplomatic Body were bombarded with criticisms and

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suggestions; and a scheme was somewhat half-heartedly propounded for the establishment under foreign supervision of a special corps of Chinese railway guards. Fortunately the scheme, which could only have led to further undesirable commitments for the interested foreign Governments, was soon allowed to die. Nor did it suit the Japanese, who had not been concerned in the affair, who were still in those days posing as champions of China's fight against the 'Imperialism' of Europe and America, and who looked with much disfavour on the increase of any foreign influence in China save their own. The Diplomatic Body were able to extract from the Chinese Government compensation for the direct losses of the victims of the outrage; and the Lincheng incident passed into the limbo of China's diplomatic history.

Bandits in China are a natural phenomenon following the economic stress of civil wars and internal political disorders. The existence of the majority of China's millions is a continuous struggle to get enough to eat; and there is always a submerged stratum in the population ready to turn bandits or soldiers in accordance with circumstances and opportunity. During the civil war period bandits and troops were often indistinguishable; and such of the forces of the vanquished side as were not incorporated in the winning army naturally took to banditry. Under the National Government real progress had at last been made towards the restoration of law and order in large regions of the interior. The Japanese invasion smashed the machine of government in half the country. Brigands and Communists joined in the fight against Japan. But, when it is over, the work of bandit suppression and rural reconstruction will have to be begun anew.

Closely associated with Chinese brigandage are the secret societies, with which China is, and always has been, honeycombed; the Triads and White Lotus in the south, and the *Ko Lao Hui* ('The Brotherhood of Elders'), the Big Knives, Red Spears, Boxers and others in the northern provinces.

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The secret societies are mysterious and nefarious, a strange mixture of freemasonry and magic rites, co-operation, terrorism and sedition. For three hundred years their main impulse was that of secret revolutionary agitation against the Manchu Dynasty. Rebellions, revolutions and disturbances invariably brought their activities to light. They were associated with the Taiping rebellion in the nineteenth century, with the Boxer rising, and the revolution which resulted in the abdication of the Dynasty in 1912. And during the troubled years of the Republic their activities were manifested in the recurrent waves of brigandage and civil war. No doubt they played their part in the rebellions of the Communists against the Nanking Government; and they are probably to-day proving a thorn in the side of the Japanese.

The secret societies are seldom heard of in the treaty ports. But the foreigner who lives or travels in the more remote interior, if he delves at all below the surface in the northern provinces, will soon be brought in contact with the *Ko Lao Hui*, the all-pervading, subterranean Brotherhood, which rules in secret the lives of millions of the Chinese peasantry. If trouble or disturbances are brewing in the neighbourhood, the *Ko Lao Hui* are pretty sure to have a finger in the pie. In the early 'nineties their activities in Central China came to the attention of the foreign public through the antics of a Mr. Mason, a young man in the Chinese Customs Service, stationed at the treaty port of Chinkiang, who became associated with a projected rising of the *Ko Lao Hui* against the Dynasty. Mr. Mason, who was arrested by the British consular authorities, and whose adventure ended with a sentence of deportation and imprisonment, wrote many years later an entertaining book about his strange experiences.¹ The present writer came into contact with the Brotherhood in Szechuan nearly thirty years ago, when the storm of impending revolution was rumbling through the land and burst for the first time in western China in August of 1911. He recalls the armed bands of peasants roaming through

¹ *The Chinese Confessions of C. W. Mason.* Grant Richards, 1924.

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the countryside, equipped with antiquated weapons and bearing red standards and mysterious devices. When the members of the Brotherhood are on the warpath they are best avoided by the foreigner. The magic rites and incantations, groping back into the mysticism of a long-gone past, rouse the peaceful peasantry of China into a kind of ecstasy, when they behave in ways that are strange and unaccountable. This is the explanation of what happened in the rising of the Boxers and similar rebellions in the past.

China has been interpreted in innumerable books published in Britain and America. The best were written in the early days, by Catholic priests, Protestant missionaries and consular and diplomatic officers. No relatively modern books on China can compare (to mention but a few) with the writings of the Abbé Huc, Wells Williams (*The Middle Kingdom*), Martin (*Cycle of Cathay*), Smith (*Chinese Characteristics*), Hunter (*Fankwae at Canton*), Walsh (*Ways that are Dark*), Baber (*Travel Papers in the R.G.S.*), Parker, Rockhill, Giles and Williamson. The superiority of these old-time books over their modern rivals lies in their originality; for their authors wrote from first-hand observation or from the fruits of their original research; whereas the material of many of the modern books seems to have been obtained, not from the author's personal experiences, but from an industrious study of the writings of their predecessors. The old books too were written from a standpoint as scholarly as it was objective and detached, the writers describing the Chinese and their affairs just as they found them, without exaggeration, flattery or rancour, unlike the books appearing nowadays, which tend so often to be coloured by prejudice or propaganda for or against the Chinese and their modern ideologies. There are of course brilliant exceptions, which it would be invidious to single out, including the works of certain Chinese writers, some of whom combine a mastery of the English language with an understanding of their countrymen which no foreigner can possibly possess.

CHAPTER TWENTY

CONCLUSION

No country during the past hundred years has been so buffeted by fate as China. Famines and floods, rebellions, wars and revolutions, internal disorder and external aggression—the Chinese people have been afflicted by them all in turn. The victims first of the imperialism of the West, and later of the aggression of the Japanese, their misfortunes have culminated in the present frightful conflict with Japan. And yet there are in all the world few peoples less deserving of the bad treatment meted out to them by fate. Pacific and industrious, tolerant and intelligent, cheerful and patient in adversity, the Chinese asked only to be left alone. Their early troubles were due to the difference between their standards of civilization and philosophy and those of Europe and America; and to the failure of their rulers to adjust themselves to the impact of the West. At first the Western Powers insisted only on adequate arrangements enabling their nationals to live and trade in China immune from the laws and jurisdiction of the Chinese Government. But, as China's military weakness became more and more apparent, the aggression of the foreigner increased; until, after the Japanese war of 1894, it reached its peak in 1898, when only her remoteness and immensity, and the rivalries between the European Powers, saved China from wholesale annexation and dismemberment.

In olden times the Chinese were without patriotism in the western meaning of the word. Their historical development produced no call for patriotic qualities. Separated from the western world by what were in those days impassable

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barriers of desert, sea and mountain, the Chinese developed in their isolation a racial culture of their own. Without neighbours to challenge their supremacy, they believed themselves to be supreme, unique and the centre of the universe. Loyalty was due rather to family and clan and neighbourhood than to Government and State. The Emperor's dominions comprised the Chinese world. The foreign devils, red-haired and sunken-eyed, who reached in their ships the coasts of China, came from feudatory nations peopled by remote barbarians. With such conceptions there was no place or need for patriotism. To the outside world in turn, China seemed a geographical expression rather than a nation. Until the rise of the new Chinese nationalism in the present century, war could be waged with one part of China, leaving the rest of the country unaffected by hostilities.

Gradually the Chinese people came to learn the truth; that they and their Government were out of date, and that they were being victimized and exploited by the foreigner. At first this realization was manifested in sporadic outbreaks of anti-foreign feeling, outrages and riots; culminating in the Boxer rising. After 1900 the new ferment showed itself in underground anti-dynastic and revolutionary agitation and the movement for the recovery of sovereign rights. Slowly and with much trial and tribulation a new China was built up. The Chinese discovered the boycott as a weapon of defence against the foreigner. The first boycott curiously enough was against benevolent America, in connexion with the introduction of more severe restrictions on the immigration of Chinese into the United States. Thereafter the boycott came to be recognized as China's most effective counter-move to the aggression, real or imaginary, of foreign Powers, being principally brought into play against Britain and Japan.

In 1911 the revolution intervened, throwing the country into anarchy for close on twenty years. But through those long years of chaos and disordered strife the spark of the new nationalism glowed and grew; until finally, fanned by

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the world-shaking developments of the Great War and the Russian revolution, it burst into flame and swept like a prairie fire over the whole of China. Critics of Chinese nationalism may contend that its ferment touches but a small percentage of China's hungry millions toiling unceasingly to get enough to eat; yet the proof of its activity is evident in the astounding changes which it has brought about.

The National Government, established at Nanking in 1928, turned to the task of rebuilding a new China out of the ruins of the old; and of asserting for the Chinese people their claim to equality of treatment amongst the nations of the world. The imperialism of the Western Powers had destroyed itself in the European War. China, though still held in bondage by what remained of the *bloc* of former Treaty Powers, had no longer anything to fear from Britain, France or the United States. So far as concerned Europe and America, the Chinese had only to set their own affairs in order, to be able to rid themselves of the servitudes of the Unequal Treaties. But they had still to reckon with Japan, the self-appointed leader of the Yellow Race.

Chinese nationalism lays itself open to the charge of having advanced blindly and without regard to inevitable consequences into a head-on collision with Japan. The nations of Europe and America were, it was obvious, prepared to surrender their stranglehold on China's economic and political existence. On the other hand, the Japanese, with much greater and more vital interests at stake, had clearly shown that they would yield nothing without suitable return. It was common knowledge that their generals would strike if sufficiently provoked in South Manchuria. Yet it is easy to be wise after the event. The extreme nationalism of the period had the bit between its teeth, and, encouraged by the attitude of Britain and America, pressed forward without regard to consequences.

After the collision in Manchuria in 1931, and the failure of the League of Nations and America to intervene, Chiang-Kai-shek and the Nationalist leaders realized the situation to the full. They tacitly accepted the loss of the Manchurian

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provinces, knowing that it was hopeless to seek their recovery by force. But their control over the excited nationalism on which they had ridden into power was insufficient to enable them to make a settlement which would legalize the loss of Chinese territory. For six years they held their hand, seeking on the one side to placate the demands of their extremists for resistance to the last, and on the other to appease the appetite of Japan's military chiefs. But the latter, not content with their conquest of Manchuria, penetrated ever deeper into the northern provinces beyond the Wall; until, with the outbreak of hostilities in Central China, the situation went finally beyond control.

Japanese policy sought always to put back the clock to the time before the conquest of China by the Kuomintang; to the days of a weak, disordered and disunited China; when a foreign Power could browbeat the governing authorities in one locality without adverse repercussions on their relations with the rest. The Japanese generals, flushed with the success of their Manchurian adventure, were led on to plan the conversion of North China into a second Manchukuo; seeking to establish in the northern provinces an autonomous régime, which, while nominally a part of China, would actually be controlled and protected by Japan. Twenty, or even fifteen years earlier there would have been nothing unnatural or inappropriate in such a plan. In 1918 a similar project was very nearly carried through. But now the whole picture was altered by the new nationalism of the Kuomintang. Japan's military chiefs, irritated and nonplussed by so unreasonable an obstacle, thought to give the Chinese people and their Government a mighty blow which would bring them to their senses and knock them into friendship and docility. Instead they roused a fury of resistance in a China united as it had never been before. In the days of the Empire the Chinese soldier was a joke. In later years the bloated Chinese armies of the civil wars were of small military value. Lacking sufficient training, organization and equipment, and inspired by no better cause than food and pay, they looted better than they fought. But the new armies

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of Nationalist China have shown themselves immeasurably superior. And, above all, Japanese policy has given them a cause for which to fight.

The Japanese say they must break China's resistance and beat her to her knees, but this chastisement is in China's interest—to save her from the menace of the Bolshevik. The Japanese rightly ascribe their difficulties in overawing China to the rise of Chinese nationalism and the Kuomintang. Japan has accordingly declared her war aims to be the destruction of the Kuomintang, its Government and armies. When that has been effected Japan will join hands with a new Chinese Government prepared to accept her offers of friendship and co-operation. (So might one war with Germany to destroy the Nazis, with Italy to crush the Fascists, or with Russia to exterminate the Communists). Yet China, if only she is left in peace, is never likely to succumb to Communism; it is only the aggression of the Japanese that drives her to seek succour and assistance from the Soviet. The Japanese, in their tragic and misguided policy, have set themselves the task of overthrowing the Government of the Kuomintang, which is the best that China has enjoyed for the past hundred years or more, and of destroying Chinese nationalism, which in ten years has unified and regenerated China.

But the task of coercing Nationalist China into friendship and good behaviour promises to be a long and costly one; and the whole enterprise has become a tremendous gamble for Japan. Their generals have won resounding victories, but the resistance of the Chinese people has not been overcome. Japan may destroy all organized government in China and find her war aims, to coerce the Chinese into friendship, still unrealized. The strength of China's popular resistance lies in its dynamic nature and instinctive origin, and in her immensity and the inherent stability of her national economy; its weakness in the superficial character of China's unity and in the narrow and restricted base on which is built the structure of the Chinese Government. If it were not for the cement of Japanese aggression, the Communists on

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the one side and the rival war-lords on the other would still be challenging the National Government's authority. China and the Chinese people and the Kuomintang itself are still in the condition when they are only held together by some powerful national appeal. But if China's new-found unity will stand the strain, and if the Chinese continue to resist, no military victories will in the long run avail the Japanese.

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